



Mbombela Local Municipality
Unaudited Annual Financial Statements
for the year ended 30 June 2016

Mbombela Local Municipality

(Registration number MP322)

Unaudited Annual Financial Statements for the year ended 30 June 2016

General Information

Members of the Mayoral committee (MMC) & their portfolios

Cllr SP Mathonsi (Executive Mayor)

Cllr J Sidell (Speaker)

Cllr SH Mbuyane (Chief Whip)

Cllr ZM Boroko (MMC - Sports and Recreation)

Cllr MS Magagula (MMC - Waste services, Parks and Cemeteries)

Cllr M Manyinga (MMC - Financial Services)

Cllr C Maseko (MMC - Infrastructure Development)

Cllr JM Mazibane (MMC - Corporate Services)

Cllr BN Mdhuli (MMC - Human Settlement)

Cllr FP Nkala (MMC - Public Safety, Health & Emergency Services)

Cllr MM Nyirenda (MMC - Water and Sanitation)

Cllr BA Zulu (MMC - City Planning)

Councillor	Ward	Councillor	Ward
Cllr MB Mokoena	1	Cllr MI Tlou	21
Cllr MJ Msibi	2	Cllr ET Mkhabela	22
Cllr MZ Malumane	3	Cllr ME Mhaule	23
Cllr KE Maziya	4	Cllr TL Dlodlu	24
Cllr TD Tsela	5	Cllr MC Mhlanga	25
Cllr JM Mazibane	6	Cllr TM Bulunga	26
Cllr L Maseko	7	Cllr MS Mashele	27
Cllr JA Mkhonto	8	Cllr SR Masuku	28
Cllr BA Nyundu	9	Cllr KR Mabuza	29
Cllr MS Mdluli	10	Cllr TMJ Grove'-Morgan	30
Cllr EM Mutobovu	11	Cllr CN Mnyambo	31
Cllr MC Mafotha	12	Cllr ST Nobela	32
Cllr A Kumba	13	Cllr NS Nyalunga	33
Cllr KM Mkhonto	14	Cllr SP Mavuso	34
Cllr F Lange	15	Cllr PP Nyalunga	35
Cllr H De Kock	16	Cllr JJ Khoza	36
Cllr S Van Der Merwe	17	Cllr FJ Zulu	37
Cllr JB Mashaba	18	Cllr OM Thobela Ngwenyama	38
Cllr NW Motubatse	19	Cllr DT Nkosi	39
Cllr TC Simelane	20		

Proportional Representative Councillors (PR)

Councillor	Ward	Councillor	Ward
Cllr KP Robertson	1	Cllr WS Segage	18
Cllr DD Ngwenyama	2	Cllr BN Mdhuli	19
Cllr TP Manana	4	Cllr TK Mabilane	20
Cllr NF Dhlamini	5	Cllr BA Zulu	21
Cllr HK Malomane	6	Cllr SR mabuza	22
Cllr LN Moreko	7	Cllr HL Twala	24
Cllr MM Mlimi	8	Cllr NB Matume	25
Cllr EM Sebashe	9	Cllr M Mayinga	26
Cllr TP Manave	10	Cllr NM Zulu	27

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General Information

Cllr VL Mlimo	11	Cllr MS Magagula	28
Cllr SH Mbuyane	12	Cllr SP Mathonsi	30
Cllr DF Maseko	13	Cllr Pv Mashego	32
Cllr W De Beer	14	Cllr FP Nkala	33
Cllr C Maseko	14	Cllr SI Mokoena	34
Cllr SR Schorman	15	Cllr J Sidell	35
Cllr MK Matsemela	15	Cllr RF Mgwenya	37
Cllr A Lubbe	16	Cllr A Mbuyane	38
Cllr T M Charles	17	Cllr ZM Boroko	38
Cllr J Koste	17	Cllr TG Mabuza	39

Audit and Performance Audit Committee

Mrs HC Thabethe	Chairperson
Ms FZ Mabilane	Member
Mr M Secker	Member
Ms GP Mwasi	Member

Chief Financial Officer (CFO)

Mr OP Mokoena

Municipal Manager

Mr NM Seanego

Registered office

Mbombela Civic Centre

Physical address

Civic Centre
1 Nel Street
Mbombela
1200

Postal address

P.O Box 45
Mbombela
1200

Bankers

ABSA Bank Mbombela
2nd Floor, ABSA Square
20 Paul Kruger Street
Mbombela
1201

Auditors

Auditor General South Africa - Mpumalanga
10 Nel Street
Mbombela
1200

Telephone number

(013) 759 9111

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

General Information

Fax number	(013) 759 2002
Website address	www.mbombela.gov.za

Enquiries

Building Plans	(013) 759 2184
Electricity	(013) 759 2231
Water and Sewerage	(013) 759 2580
Customer Care	(013) 759 2025 / 2064

Paypoints

White River	(013) 751 1176
KaNyamazane	(013) 794 1254
Matsulu	(013) 778 9061
Kabokweni	(013) 796 0227
Hazyview	(013) 737 7346
Nelspruit Civic Centre	(013) 759 2025 / 2064
Nelspruit - The Grove Riverside	(013) 759 9912 / 9913

Libraries

Kabokweni	(013) 796 1082 / 0590
Matsulu	(013) 778 9864 / 9000
Nelspruit	(013) 759 2077
Nelsville	(013) 755 4788
White River	(013) 7509125 / 6039
Victory Park	(013) 759 2089
Hazyview	(013) 737 7220 / 7346

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

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Unaudited Annual Financial Statements for the year ended 30 June 2016

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Abbreviations

DBSA	Development Bank of Southern Africa
DME	Department of Minerals and Energy
DWS	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
R	South African Rand
MWIG	Municipal Water Infrastructure Grant
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
PR	Proportional Representative Councillor
PTIG	Public Transport Infrastructure Grant
SARS	South African Revenue Services
VAT	Value Added Tax

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Approval and certification of Annual Financial Statements

We are responsible for the preparation of these unaudited annual financial statements, which are set out on pages 7 to 106, in terms of Section 126(1) of the Municipal Finance Management Act and which we have signed on behalf of the Municipality. The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), other applicable accounting standards and reporting framework approved by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. These financial statements fairly present the state of affairs of the municipality, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at 30 June 2016.

We certify that the salaries, allowances and benefits of Councillors, as disclosed in note 29 of these unaudited annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act:

Mr DP Msibi
Acting Municipal Manager

Mr OP Mokoena
Chief Financial Officer

Mbombela Local Municipality

(Registration number MP322)

Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current assets			
Inventories	2	25 456 309	24 498 294
Other receivables	3	14 249 574	21 716 274
VAT receivable	4	62 569 703	48 378 936
Trade and other receivables	5	176 880 341	169 027 857
Current portion of receivables	12	28 992	26 106
Cash and cash equivalents	6	51 601 439	94 843 988
		330 786 358	358 491 455
Non-Current assets			
Investment properties	7	338 150 277	339 345 743
Property, plant and equipment	8	5 717 134 534	5 344 321 641
Intangible assets	9	5 326 205	6 343 698
Heritage assets	10	1 772 462	1 715 873
Investments	11	16 144 521	15 186 034
Non - current receivables	12	479 366	55 700 692
		6 079 007 365	5 762 613 681
Non-Current assets		6 079 007 365	5 762 613 681
Current assets		330 786 358	358 491 455
Total assets		6 409 793 723	6 121 105 136
Liabilities			
Current liabilities			
Current portion of borrowings	13	49 308 505	21 812 087
Current portion of long service award	14	2 714 652	4 700 369
Trade and other payables from exchange transactions	15	770 263 265	638 115 596
Consumer deposits	16	25 636 079	24 160 295
Current portion of post employment benefits	17	2 613 280	2 657 067
Unspent conditional grants and receipts	18	182 745 659	177 495 525
Current portion of provisions	19	3 088 777	4 095 418
Other financial liabilities	20	61 466 817	53 111 742
		1 097 837 034	926 148 099
Non-Current liabilities			
Non - current borrowings	13	281 817 466	255 625 774
Long service award	14	51 011 328	44 706 435
Post employment benefits	17	170 415 936	143 243 522
Non - current provisions	19	96 887 019	88 716 478
Deferred revenue	21	-	2 483 456
		600 131 749	534 775 665
Non-Current liabilities		600 131 749	534 775 665
Current liabilities		1 097 837 034	926 148 099
Total liabilities		1 697 968 783	1 460 923 764
Assets		6 409 793 723	6 121 105 136
Liabilities		(1 697 968 783)	(1 460 923 764)
Net assets		4 711 824 940	4 660 181 372
Accumulated surplus		4 711 824 940	4 660 181 372

* See Note 46

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	870 789 404	786 818 765
Rental of facilities and equipment	23	17 299 203	22 515 676
Finance income	24	17 008 072	16 766 731
Agency fees	25	29 512 126	26 775 236
Other revenue	26	135 071 338	100 584 478
Total revenue from exchange transactions		1 069 680 143	953 460 886
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	364 349 979	335 673 587
Transfer revenue			
Government grants and subsidies	28	955 068 656	844 600 185
Donations received		26 363 456	514 968
Fines	29	23 944 956	23 596 792
Total revenue from non-exchange transactions		1 369 727 047	1 204 385 532
Total revenue		2 439 407 190	2 157 846 418
Expenditure			
Employee related costs	30	(564 559 456)	(520 855 045)
Remuneration of councillors	31	(29 343 987)	(27 886 572)
Depreciation and amortisation	32	(249 387 353)	(225 834 533)
Finance costs	33	(66 308 312)	(58 681 859)
Debt Impairment	34	(82 192 373)	(88 514 937)
Collection costs		(8 784 042)	(4 967 596)
Repairs and maintenance	35	(209 110 605)	(184 047 267)
Bulk purchases	36	(555 001 069)	(480 294 795)
Contracted services	37	(370 673 372)	(342 313 232)
Grants and subsidies paid	38	(38 587 863)	(26 833 370)
General expenses	39	(202 820 759)	(165 981 714)
Total expenditure		(2 376 769 191)	(2 126 210 920)
Total revenue		2 439 407 190	2 157 846 418
Total expenditure		(2 376 769 191)	(2 126 210 920)
Operating Surplus		62 637 999	31 635 498
Gain on disposal of assets	40	64 431	1 730 589
Fair value adjustments		(7 922 746)	(860 538)
Actuarial (loss) / gain on employee benefit obligations	14&17	(3 136 116)	7 299 588
		(10 994 431)	8 169 639
Surplus for the year		51 643 568	39 805 137

* See Note 46

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets for the year ended 30 June 2016

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 421 718 229	4 421 718 229
Adjustments		
Prior year adjustments	198 658 006	198 658 006
Balance at 01 July 2014 as restated*	4 620 376 235	4 620 376 235
Changes in net assets		
Restated surplus for the period	39 805 137	39 805 137
Total changes	39 805 137	39 805 137
Restated* Balance at 01 July 2015	4 660 181 372	4 660 181 372
Changes in net assets		
Surplus for the year	51 643 568	51 643 568
Total changes	51 643 568	51 643 568
Balance at 30 June 2016	4 711 824 940	4 711 824 940

See note 46 for prior period error adjustments disclosure.

* See Note 46

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Property rates		319 281 692	312 166 433
Sale of goods and services		848 411 653	767 560 272
Government grants and subsidies		960 318 790	994 258 946
Interest income		14 738 630	7 447 186
Other receipts		186 516 715	30 335 820
		<u>2 329 267 480</u>	<u>2 111 768 657</u>
Payments			
Employee costs and remuneration of councillors		(587 996 202)	(519 725 207)
Bulk purchases		(514 715 435)	(537 855 950)
Finance costs		(48 026 392)	(28 846 143)
Other payments		(497 589 403)	(351 373 468)
Grants and subsidies paid		(38 587 863)	(26 833 370)
Repairs and maintenance		(209 110 605)	(183 926 439)
		<u>(1 896 025 900)</u>	<u>(1 648 560 577)</u>
Total receipts		2 329 267 480	2 111 768 657
Total payments		(1 896 025 900)	(1 648 560 577)
Net cash flows from operating activities	42	433 241 580	463 208 080
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(593 278 852)	(514 561 794)
Proceeds from sale of property, plant and equipment		363 646	3 413 505
Purchase of other intangible assets	9	(644 195)	(1 693 859)
Purchases of heritage assets	10	(56 589)	(234 468)
(Increase) in investments		(958 487)	(802 047)
Decrease in non - current receivables		55 218 441	49 061
Net cash flows from investing activities		(539 356 036)	(513 829 602)
Cash flows from financing activities			
Proceeds from borrowings		53 688 110	56 390 876
Repayment of borrowings		-	(20 038 611)
Deferred revenue		(2 483 456)	(468 963)
Movement in other liabilities		8 355 075	13 470 105
Net cash flows from financing activities		59 559 729	49 353 407
Net (decrease) in cash and cash equivalents		(46 554 727)	(1 268 115)
Cash and cash equivalents at the beginning of the year		94 843 988	96 112 103
Cash and cash equivalents at the end of the year	6	51 601 439	94 843 988

* See Note 46

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts for 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	903 935 773	-	903 935 773	870 789 404	(33 146 369)	
Rental of facilities and equipment	28 060 633	(3 566 197)	24 494 436	17 299 203	(7 195 233)	56.2
Finance income	17 921 638	857 102	18 778 740	17 008 072	(1 770 668)	
Agency fees	164 588 934	(17 913 659)	146 675 275	29 512 126	(117 163 149)	56.3
Other income	73 966 513	2 528 968	76 495 481	135 071 338	58 575 857	56.4
Total revenue from exchange transactions	1 188 473 491	(18 093 786)	1 170 379 705	1 069 680 143	(100 699 562)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	374 063 230	-	374 063 230	364 349 979	(9 713 251)	
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Transfer revenue

Government grants & subsidies	981 306 000	192 024 367	1 173 330 367	955 068 656	(218 261 711)	56.5
Donation received	-	-	-	26 363 456	26 363 456	
Fines	15 810 682	8 703 074	24 513 756	23 944 956	(568 800)	56.1

Total revenue from non-exchange transactions	1 371 179 912	200 727 441	1 571 907 353	1 369 727 047	(202 180 306)	
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'Total revenue from exchange transactions'	1 188 473 491	(18 093 786)	1 170 379 705	1 069 680 143	(100 699 562)	
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'Total revenue from non-exchange transactions'	1 371 179 912	200 727 441	1 571 907 353	1 369 727 047	(202 180 306)	
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Total revenue	2 559 653 403	182 633 655	2 742 287 058	2 439 407 190	(302 879 868)	
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Expenditure

Employee related costs	(546 092 327)	2 139 291	(543 953 036)	(564 559 456)	(20 606 420)	
Remuneration of councillors	(29 410 854)	66 867	(29 343 987)	(29 343 987)	-	
Depreciation and amortisation	(191 056 259)	(35 319 052)	(226 375 311)	(249 387 353)	(23 012 042)	56.6
Finance costs	(54 340 037)	(838 018)	(55 178 055)	(66 308 312)	(11 130 257)	56.7
Debt impairment	(74 574 288)	(4 736 423)	(79 310 711)	(82 192 373)	(2 881 662)	
Collection costs	(2 109 468)	-	(2 109 468)	(8 784 042)	(6 674 574)	
Repairs and maintenance	-	-	-	(209 110 605)	(209 110 605)	
Bulk purchases	(577 131 744)	(34 449 330)	(611 581 074)	(555 001 069)	56 580 005	
Contracted Services	(329 874 695)	(59 884 524)	(389 759 219)	(370 673 372)	19 085 847	
Grants and subsidies paid	(150 238 793)	(20 652 314)	(170 891 107)	(38 587 863)	132 303 244	56.8
General Expenses	(226 716 183)	(2 520 808)	(229 236 991)	(202 820 759)	26 416 232	56.9

Total expenditure	(2 181 544 648)	(156 194 311)	(2 337 738 959)	(2 376 769 191)	(39 030 232)	
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Total revenue	2 559 653 403	182 633 655	2 742 287 058	2 439 407 190	(302 879 868)	
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Total expenditure	(2 181 544 648)	(156 194 311)	(2 337 738 959)	(2 376 769 191)	(39 030 232)	
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	378 108 755	26 439 344	404 548 099	62 637 999	(341 910 100)	
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Gain / (loss) on disposal of assets	4 390 400	-	4 390 400	64 431	(4 325 969)	
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Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts for 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	(7 922 746)	(7 922 746)	
Actuarial gains/losses	-	-	-	(3 136 116)	(3 136 116)	
	4 390 400	-	4 390 400	(10 994 431)	(15 384 831)	
	378 108 755	26 439 344	404 548 099	62 637 999	(341 910 100)	
	4 390 400	-	4 390 400	(10 994 431)	(15 384 831)	
Surplus for the year	382 499 155	26 439 344	408 938 499	51 643 568	(357 294 931)	

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts for 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	21 877 789	7 882 523	29 760 312	25 456 309	(4 304 003)	
Other receivables from non-exchange transactions	-	73 839 842	73 839 842	14 249 574	(59 590 268)	
VAT receivable	-	-	-	62 569 703	62 569 703	
Consumer receivables	119 818 302	44 006 337	163 824 639	176 880 341	13 055 702	
Current portion of receivables	-	-	-	28 992	28 992	
Cash and cash equivalents	274 737 301	(104 931 821)	169 805 480	51 601 439	(118 204 041)	
	416 433 392	20 796 881	437 230 273	330 786 358	(106 443 915)	

Non-Current Assets

Investment properties	288 554 299	(100 000 000)	188 554 299	338 150 277	149 595 978	
Property, plant and equipment	5 582 669 603	(198 714 439)	5 383 955 164	5 717 134 534	333 179 370	
Intangible assets	5 776 934	376 453	6 153 387	5 326 205	(827 182)	
Heritage assets	-	-	-	1 772 462	1 772 462	
Investments	17 041 892	-	17 041 892	16 144 521	(897 371)	
Non - current receivables	408 688	(408 688)	-	479 366	479 366	

5 894 451 416 (298 746 674) 5 595 704 742 6 079 007 365 483 302 623

Current assets	416 433 392	20 796 881	437 230 273	330 786 358	(106 443 915)	
Non-Current assets	5 894 451 416	(298 746 674)	5 595 704 742	6 079 007 365	483 302 623	
Total assets	6 310 884 808	(277 949 793)	6 032 935 015	6 409 793 723	376 858 708	

Liabilities

Current Liabilities

Current portion of borrowings	18 600 407	2 557 318	21 157 725	49 308 505	28 150 780	
Operating lease liability	-	-	-	2 714 652	2 714 652	
Trade and other payables from exchange transactions	213 560 009	148 762 729	362 322 738	770 263 262	407 940 524	
Consumer deposits	22 934 661	1 467 237	24 401 898	25 636 079	1 234 181	
Current portion of post employment benefits	-	-	-	2 613 280	2 613 280	
Unspent conditional grants and receipts	142 233 042	(107 241 737)	34 991 305	182 745 659	147 754 354	
Current portion of provisions	7 776 502	2 653 929	10 430 431	3 088 777	(7 341 654)	
Other financial liabilities	-	-	-	61 466 817	61 466 817	
	405 104 621	48 199 476	453 304 097	1 097 837 031	644 532 934	

Non-Current liabilities

Non-current borrowings	339 393 467	(31 750 059)	307 643 408	281 817 467	(25 825 941)	
Long service award	-	-	-	51 011 329	51 011 329	
Post employment benefits	-	-	-	170 415 937	170 415 937	
No-current provisions	300 179 053	36 491 612	336 670 665	96 887 019	(239 783 646)	
	639 572 520	4 741 553	644 314 073	600 131 752	(44 182 321)	

405 104 621 48 199 476 453 304 097 1 097 837 031 644 532 934
639 572 520 4 741 553 644 314 073 600 131 752 (44 182 321)

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts for 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total liabilities	1 044 677 141	52 941 029	1 097 618 170	1 697 968 783	600 350 613	
Assets	6 310 884 808	(277 949 793)	6 032 935 015	6 409 793 723	376 858 708	
Liabilities	(1 044 677 141)	(52 941 029)	(1 097 618 170)	(1 697 968 783)	(600 350 613)	
Net assets	5 266 207 667	(330 890 822)	4 935 316 845	4 711 824 940	(223 491 905)	
Reserves						
Accumulated surplus	5 266 207 667	(330 890 822)	4 935 316 845	4 711 824 940	(223 491 905)	

Mbombela Local Municipality

(Registration number MP322)

Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts for 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	354 647 955	-	354 647 955	319 281 692	(35 366 263)	
Sale of goods and services	949 232 415	(85 814 668)	863 417 747	848 411 653	(15 006 094)	
Government grants and subsidies	981 306 000	67 879 066	1 049 185 066	960 318 790	(88 866 276)	
Interest income	17 921 637	857 102	18 778 739	14 738 630	(4 040 109)	
Other income	271 752 427	(18 949 201)	252 803 226	189 828 887	(62 974 339)	
	2 574 860 434	(36 027 701)	2 538 832 733	2 332 579 652	(206 253 081)	

Payments

Employee costs, remuneration of councillors & suppliers	(1 711 535 272)	(54 886 307)	1 766 421 579	(1 783 170 760)	(16 749 181)	
Finance costs	(40 198 788)	-	(40 198 788)	(48 026 392)	(7 827 604)	
Grants and subsidies paid	(150 038 793)	62 912 563	(87 126 230)	(38 587 863)	48 538 367	
	(1 901 772 853)	8 026 256	(1 893 746 597)	(1 869 785 015)	23 961 582	

Total receipts	2 574 860 434	(36 027 701)	2 538 832 733	2 332 579 652	(206 253 081)	
Total payments	(1 901 772 853)	8 026 256	(1 893 746 597)	(1 869 785 015)	23 961 582	
Net cash flows from operating activities	673 087 581	(28 001 445)	645 086 136	462 794 637	(182 291 499)	

Cash flows from investing activities

Purchase of property, plant and equipment	(581 715 181)	(225 122 243)	(806 837 424)	(593 278 852)	213 558 572	
Proceeds from sale of property, plant and equipment	4 390 000	-	4 390 000	363 647	(4 026 353)	
Purchase of other intangible assets	(644 195)	-	(644 195)	(644 195)	-	
Purchases of heritage assets	(56 589)	-	(56 589)	(56 589)	-	
(Increase) / decrease in non-current receivables	-	202 817 612	202 817 612	55 218 441	(147 599 171)	
(Increase) / decrease in investments	-	-	-	(958 487)	(958 487)	

Net cash flows from investing activities	(578 025 965)	(22 304 631)	(600 330 596)	(539 356 035)	60 974 561	
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Cash flows from financing activities

Repayment of borrowings	44 489 737	7 527 899	52 017 636	(24 570 405)	(76 588 041)	
Proceeds from borrowings	-	-	-	52 017 635	52 017 635	
Movement in other financial liabilities	(18 600 407)	(3 211 681)	(21 812 088)	8 355 075	30 167 163	
Movement in deferred revenue	-	-	-	(2 483 456)	(2 483 456)	

Net cash flows from financing activities	25 889 330	4 316 218	30 205 548	33 318 849	3 113 301	
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Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts for 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net increase/(decrease) in cash and cash equivalents	120 950 946	(45 989 858)	74 961 088	(43 242 549)	(118 203 637)	
Cash and cash equivalents at the beginning of the year	153 785 953	(58 941 964)	94 843 989	94 843 988	-	
Cash and cash equivalents at the end of the year	274 736 899	(104 931 822)	169 805 077	51 601 439	(118 203 637)	

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budgets and Actual Amounts for the period ended 30 June 2016

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	374 063 230	-	374 063 230	-		374 063 230	364 349 979		(9 713 251)	97 %	97 %
Service charges	903 935 773	-	903 935 773	-		903 935 773	870 789 404		(33 146 369)	96 %	96 %
Investment revenue	9 474 517	(1 133 676)	8 340 841	-		8 340 841	-		(8 340 841)	- %	- %
Transfers recognised - operational	574 714 070	(876 013)	573 838 057	-		573 838 057	515 147 907		(58 690 150)	90 %	90 %
Other own revenue	295 264 286	(8 255 350)	287 008 936	-		287 008 936	222 900 126		(64 108 810)	78 %	75 %
Total revenue (excluding capital transfers and contributions)	2 157 451 876	(10 265 039)	2 147 186 837	-		2 147 186 837	1 973 187 416		(173 999 421)	92 %	91 %
Employee costs	(546 092 327)	2 139 291	(543 953 036)	-	-	(543 953 036)	(564 559 456)	-	(20 606 420)	104 %	103 %
Remuneration of councillors	(29 410 854)	(98 914)	(29 509 768)	-	165 781	(29 343 987)	(29 343 987)	-	-	100 %	100 %
Debt impairment	(74 574 288)	(4 736 423)	(79 310 711)			(79 310 711)	(82 192 373)	-	(2 881 662)	104 %	110 %
Depreciation and asset impairment	(191 056 259)	(35 319 052)	(226 375 311)			(226 375 311)	(249 387 353)	-	(23 012 042)	110 %	131 %
Finance charges	(54 340 037)	-	(54 340 037)	-	(838 018)	(55 178 055)	(66 308 312)	-	(11 130 257)	120 %	122 %
Materials and bulk purchases	(577 131 744)	3 153 713	(573 978 031)	-	(37 603 043)	(611 581 074)	(555 001 069)	-	56 580 005	91 %	96 %
Transfers and grants	(150 238 793)	(8 172 533)	(158 411 326)	-	(12 479 781)	(170 891 107)	(38 587 863)	-	132 303 244	23 %	26 %
Other expenditure	(558 700 346)	(60 280 398)	(618 980 744)	-	(2 124 934)	(621 105 678)	(802 447 640)	-	(181 341 962)	129 %	144 %
Total expenditure	(2 181 544 648)	(103 314 316)	(2 284 858 964)	-	(52 879 995)	(2 337 738 959)	(2 387 828 053)	-	(50 089 094)	102 %	109 %

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	2 157 451 876	(10 265 039)	2 147 186 837	-	-	2 147 186 837	1 973 187 416	-	(173 999 421)	92 %	91 %
Total expenditure	2 181 544 648	(103 314 316)	2 284 858 964	-	(52 879 995)	2 337 738 959	2 387 828 053	-	(50 089 094)	102 %	109 %
Surplus/(Deficit)	(24 092 772)	(113 579 355)	(137 672 127)	-	-	(190 552 122)	(414 640 637)	-	(224 088 515)	218 %	1 721 %
Transfers recognised - capital	406 591 930	192 900 381	599 492 311	-	-	599 492 311	439 920 749	-	(159 571 562)	73 %	108 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	26 363 456	-	26 363 456	DIV/0 %	DIV/0 %
Surplus/(Deficit)	(24 092 772)	(113 579 355)	(137 672 127)	-	-	(190 552 122)	(414 640 637)	-	(224 088 515)	218 %	1 721 %
Capital transfers and contributions	406 591 930	192 900 381	599 492 311	-	-	599 492 311	466 284 205	-	(133 208 106)	78 %	115 %
Surplus (Deficit) after capital transfers and contributions	382 499 158	79 321 026	461 820 184	-	-	408 940 189	51 643 568	-	(357 296 621)	13 %	14 %
Surplus (Deficit) after capital transfers and contributions	382 499 158	79 321 026	461 820 184	-	-	408 940 189	51 643 568	-	(357 296 621)	13 %	14 %
Surplus/(Deficit) for the year	382 499 158	79 321 026	461 820 184	-	-	408 940 189	51 643 568	-	(357 296 621)	13 %	14 %

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	(734 480 764)	(73 057 441)	(807 538 205)	-		(807 538 205)	620 286 502		1 427 824 707	(77)%	(84)%
Sources of capital funds											
Transfers recognised - capital	(537 918 139)	(50 650 965)	(588 569 104)	-	8 964 418	(579 604 686)	439 812 485		1 019 417 171	(76)%	(82)%
Public contributions and donations	(3 957 641)	(2 100 000)	(6 057 641)	-	2 100 000	(3 957 641)	26 363 456		30 321 097	(666)%	(666)%
Borrowing	(47 784 601)	(20 306 476)	(68 091 077)	-	11 905 757	(56 185 320)	35 887 997		92 073 317	(64)%	(75)%
Internally generated funds	(144 820 383)	-	(144 820 383)	-	29 909 820	(114 910 563)	117 447 353		232 357 916	(102)%	(81)%
Total sources of capital funds	(734 480 764)	(73 057 441)	(807 538 205)	-	52 879 995	(754 658 210)	619 511 291		1 374 169 501	(82)%	(84)%

Mbombela Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these interim financial statements, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee benefits
GRAP 26	Impairment of Cash- generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued operations (as revised in 2013)
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

List of effective Interpretations of the Standards of GRAP

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue (as revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 6	Loyalty Programmes
IGRAP 8	Agreements for the construction of assets from exchange transactions
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the substance of transactions involving the legal form of a lease
IGRAP 16	Intangible assets - Web site costs

The following approved guideline on the standards of GRAP was applied in disclosing information

Guide 1	Guideline on Accounting for Public Private Partnership.
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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

The following approved not yet Effective Standard of GRAP was used to disclose Information:

GRAP 20 Related Party Disclosures

New Standards, Amendments and Interpretations to GRAP Standards Approved But Not yet Effective:

The following GRAP standards have been approved by the Accounting Standards Board and effective dates have been determined by the Minister as indicated below except where effective date has not been determined. The standards have not been early adopted nor an accounting policy developed by the Municipality. The impact on the application of the new Standards could not be reasonably estimable as at the reporting date and it is not anticipated that these Standards will have a significant impact on the Municipality.

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.

GRAP 109 Accounting by Principles and Agents

Standards of GRAP used in developing an accounting policy

GRAP 32 Service Concession Arrangement : Grantor

GRAP 108 Statutory Receivables

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. If a change in accounting policy results from initial application of a standard of GRAP that has specific transitional provisions, the municipality account for the change in accordance with the specific transitional provisions of that accounting standard.

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Property, plant and equipment

Initial recognition and measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost model. Land is not depreciated as it is deemed to have an indefinite useful life.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at fair value as at the date of acquisition.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an item of Property, Plant and Equipment is capitalised when it meets the definition and recognition criteria of an asset.

Where the Municipality has an obligation to dismantle, remove and restore items of property, plant and equipment and the initial estimate was initially included in the cost of an item of property, plant and equipment, any changes in the liability are added to or deducted from, the cost of the related asset in the current period. If there is a decrease in the liability and it exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance.

If there is a change in a provision for which the asset relates, and the change results in addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is an indication, the related asset is tested for impairment by estimating its recoverable amount or recoverable service amount and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets or non-cash generating assets. If the related asset has reached the end of its useful life, any subsequent changes in the liability will be recognised in the statement of financial performance.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period shall be recognised in the statement of financial performance unless it is included in the carrying amount of another asset. The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land and building	
• Land	Indefinite
• Buildings	25-40
• Landfill sites	10-55

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Property, plant and equipment (continued)

Finance lease assets

- Office equipment 3-15
- Other assets 3-15

Infrastructure

- Roads, pavement, bridges, and storm water 3-80
- Electricity 3-50
- Water 5-55
- Sewerage 10-55

Community

- Recreational facilities 25-30
- Security 10-25
- Halls 25-30
- Libraries 25-30

Other property, plant and equipment

- Specialised vehicles 5-10
- Other vehicles 4-7
- Office equipment 3-15
- Furniture and fittings 5-7
- Bins and containers 5-10
- Specialised plant and equipment 2-20
- Other items of plant and equipment 2-10
- Emergency equipment 5-10
- Computer equipment 3-5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. the interim amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Computer software	2-7 years

Each item of intangible asset is amortised separately. Rights consist mainly of servitude's. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitude's. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial position.

1.6 Investment properties

Investment properties is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Investment properties (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Initial recognition and measurement

Investment properties is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment properties will flow to the municipality, and the cost or fair value of the investment properties can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment properties, the carrying amount of the replaced part is derecognised.

Investment property is subsequently measured using the cost model. Under the cost, Investment properties is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated on the depreciable amount, using the straightline method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

Item	Useful life
Property - land	indefinite
Property - buildings	15-30 years

Transfers to or from, investment property shall be made when there is a change in use evidenced by commencement or ending of owner occupation, commencement of operating lease to another party and development with a view to sale.

Derecognition

Compensation from third parties for investment properties that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

An investment property is derecognised on disposal including disposal through non-exchange transactions or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.7 Heritage assets

Initial recognition and measurement

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

The Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset shall be disclosed in the notes to the financial statements.

The municipality uses judgment to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the standard of GRAP on Borrowing costs.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

In disposing a component, the municipality may dispose of the assets and liabilities (if any) either individually or in small groups. The effect is that the settlement of the liabilities may occur over a period of time. The disposal must occur within a single co-ordinate plan in order to qualify as a discontinued operations.

The municipality may dispose of a component without being sold or transferred to another municipality. Components disposed off in this way are disposed of through abandonment. An abandoned component would be a discontinued operation if it otherwise satisfies the criteria in the definition of a discontinued operation.

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1.9 Inventories

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process.
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services.
- (c) held for sale or distribution in the ordinary course of operations.
- (d) in the process of production for sale or distribution

Initial recognition and measurement

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the inventories can be measured reliably.

Inventories that qualify for recognition as assets are initially recognised at cost. The cost of inventories comprises of all costs purchase cost of conversion and other costs incurred in bringing the inventories to its present location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

When inventories are acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method or the weighted average method.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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1.10 Financial instruments (continued)

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
 - a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution;
- or

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Accounting Policies

1.10 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. Financial assets are recognised through the application of trade date accounting.

Upon initial recognition the Municipality classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

The Municipality measures financial instruments that are designated at fair value on recognition at its fair value at the date of recognition. Financial Instruments designated at amortised cost and those designated at cost are initially measured, at the date of recognition, at its fair value plus transaction costs directly attributable to the acquisition or issue of the instrument.

The classification of financial assets depends on their nature and purpose, and is determined at the date of initial recognition.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Financial assets

Financial assets at fair value

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

Financial assets at fair value

These comprise of non-derivative financial assets with fixed or determinable payments. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method less any impairment and/or plus reversal of impairment.

Financial assets at amortised cost

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

Financial assets at cost

These comprise of investments in residual interest that does not have a quoted market price in an active market and the fair value cannot be measured reliably. Subsequent to initial recognition such investments are measured at its carrying amount less any impairment.

Impairment of financial assets

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Accounting Policies

1.10 Financial instruments (continued)

Financial assets other than those held at fair value are assessed for impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of events occurred after initial recognition of the asset, the expected value to be derived from the asset have been materially reduced. The Municipality recognise impairment losses or impairment reversals in the statement of financial performance during the financial year in which the loss or reversal occurred.

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

Accounts receivables

Receivables are initially recognised at its fair value. Bad debts are written off in the year in which they are identified as irrecoverable, subject to approval by appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the initial terms receivables. The amount of the provision is that difference between the asset's carrying amount and its present value of estimated future cash flows, discounted at the initial effective interest rate. An estimate of doubtful debts is made at the end of each reporting period taking in to consideration past default experiences. Interest is charged on overdue amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Financial liabilities

After initial recognition, the Municipality measures all financial liabilities, including payables at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities and payables and exclude provisions. Finance charges, including premiums payable, are accounted for on an accrual basis.

Gains and losses

The municipality recognise gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

Financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

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Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.23 and 1.24.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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1.12 Leases (continued)

Lease classification is made at the inception of the lease.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

The Municipality recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments as determined at inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine however if not, the incremental borrowing rate shall be used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance expenses and the capital repayment using the effective interest rate method. Lease finance expenses are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases - lessor

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred by the Municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer and the Municipality retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over goods sold. Revenue is also recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality and the amount of revenue can be measured reliably.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Service charges

Service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

Meters are read on a monthly basis and the revenue is recognised when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on average consumption history.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Interest, royalties and dividends

Interest is recognised in the statement of financial performance using the effective interest rate method.

Royalties are recognised as they are earned on a time basis and recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement.

Dividends or similar distributions are recognised in the statement of financial performance when the Municipality's right to receive payment has been established.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised by the Municipality is in terms of the agency agreement and is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

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Accounting Policies

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions between one or more parties where the Municipality received revenue from another Municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and satisfy the recognition criteria.

An inflow of resources from non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably.

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised.

An asset acquired through a non-exchange transaction is initially measured at fair value as at the date of acquisition.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Taxes

Taxes are economic benefits or service potential compulsory paid or payable to the Municipality, in accordance with the laws and or regulations, established to provide revenue to the Municipality. Taxes do not include fines or other penalties imposed for breaches of the law.

The Municipality recognises an asset in respect of taxes when the taxable even occurs and the asset recognition criteria are met.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income. The rebates granted are deducted from revenue.

Property rates revenue is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Transfers

Transfers are inflows of future economic benefits or service potential from non-exchange transactions other than taxes.

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines

Fines are economic benefits or service potential received or receivable by the Municipality from an individual or other Municipality, as determined by a court or other law enforcement body, as a consequence of the individual or other Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute notices of intended prosecution- section 341 spot fines and written notices (summons- section 56 of the Criminal Procedures Act).

Initial recognition and measurement

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition of an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous financial years.

Government grants and donations

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

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Accounting Policies

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

The municipality recognise all borrowing costs as an expense in the period in which they are incurred.

1.16 Employee benefits

Employee benefits are all forms of consideration given by a Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an Municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Municipality recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits

The Municipality provides post employment benefits for its employees and councillors. These benefits are provided as either defined contribution plans or defined benefit plans.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a Municipality provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an Municipality pays fixed contributions into a separate Municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable (i.e. when employees and councillors have rendered the employment service or served office entitling them to the contributions). This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Municipality provide post employment medical care benefits to retired employees and their legitimate spouses. The entitlement to post employment medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Pursuant to the Municipality's obligation to fund the post-employment benefits provided through a defined benefit plan, the Municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the Municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the Municipality recognises as defined benefit asset.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

Actuarial gains and losses comprise experience adjustments (the effect of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in the actuarial assumptions. Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the Municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Where the Municipality reduces benefits payable under an existing defined benefit plan, the resulting reduction in the defined benefit liability is recognised as (negative) past service cost in the reporting period in which the plan is amended.

Where the Municipality reduces certain benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees, the Municipality treats the change as a single net change.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The Municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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Accounting Policies

1.16 Employee benefits (continued)

The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Termination benefits

Termination benefits are recognised when actions have been taken to indicate that the Municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.17 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is a Municipality that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any. Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is a Municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another Municipality either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The Municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, a Municipality considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

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Accounting Policies

1.17 Construction contracts and receivables (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.18 Unauthorised expenditure

Unauthorised expenditure means overspending of a vote, expenditure that has not been budgeted for and expenditure not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Value Added Tax (VAT)

The municipality accounts for value added tax on the payment basis.

1.22 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same Municipality and period as for the approved budget. The budget is prepared on the accrual basis. The budget of the Municipality is taken for a stakeholder consultative process and upon approval, the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

The approved budget relates to the fiscal period of 1 July 2015 to 30 June 2016.

1.23 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The Municipality assesses at each reporting date whether there is any indication that cash generating assets may be impaired. If any such indication exists, the recoverable amount of the asset is determined in order to establish the extent of impairment loss (if any).

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Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Where it is not possible to estimate the recoverable amount of an individual cash generating asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. Cash generating units shall be identified consistently from period to period for the same asset or types of assets, unless the change is justified.

The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

The discount rate used is a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows has not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit to the Statement of Financial Performance.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in surplus or deficit to the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.24 Impairment of non-cash-generating assets

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

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Accounting Policies

1.24 Impairment of non-cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the Municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Accounting Policies

1.24 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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Accounting Policies

1.24 Impairment of non-cash-generating assets (continued)

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit to the statement of financial performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.25 Related parties

The Municipality has processes and controls in place to aid in the identification of related parties. Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party or exercise significant influence over the other party or vice versa.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Management is regarded as a related party and comprises councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, Deputy Municipal Manager and General Managers.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. As a minimum, a person is considered to be a close member of the family of another person if they:

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Accounting Policies

1.25 Related parties (continued)

- Are married or live together in a relationship similar to a marriage, or separated by no more than two degrees of natural or legal consanguinity or affinity.

Related party transactions are disclosed in the notes to the annual financial statements. Related party transactions where control exists shall be disclosed irrespective of whether there have been transactions between the related parties.

1.26 Grant in aid

The Municipality transfers funds to individuals, organisations, societies and other sectors of government from time to time in accordance with the local government prescripts.

When the transfers are made, the Municipality does not:

- receive any goods or services directly in return, as would be expected in an acquisition or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

The transfers are recognised in the Statement of Financial Performance as expenses in the period that the event giving rise to the transfer occurred.

1.27 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the change in accounting policy. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3. The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements

Correction of errors is applied retrospectively in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the error. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date.

The Municipality does not adjust the amounts recognised in the unaudited annual financial statements to reflect non-adjusting events after the reporting date. If the Municipality receives information after the reporting date but before the financial statements are authorised for issue, about conditions that existed at the reporting date, the disclosure that relate to those conditions shall be updated in light of the new information.

1.29 Capital commitments

Capital commitments disclosed in the notes to the unaudited annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the reporting period.

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Accounting Policies

1.30 Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts and/ recoverable service amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used)
- Present value of defined benefit obligation
- Impairment allowance/ Debt impairment
- Impairment of cash-generating and non cash-generating assets
- Provision for long service awards

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of cash-generating and non cash-generating assets
- Provisions

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Accounting Policies

1.31 Transfer of functions between entities under common control

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor. The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor. Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function. All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

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Accounting Policies

1.31 Transfer of functions between entities under common control (continued)

Accounting by the Municipality as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts. If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer. The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts. The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its unaudited annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in unaudited annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

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Accounting Policies

1.31 Transfer of functions between entities under common control (continued)

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

1.32 Mergers

Identifying the combined Municipality and combining entities

For each merger a combined municipality and combining entities is identified. All relevant facts and circumstances are considered in identifying the combined municipality and combining municipality.

The binding arrangement usually sets out which entities are to be combined as a result of the merger, and identifies the new reporting municipality after the merger.

Determining the merger date

The combined municipality and the combining entities identify the merger date, which is the date on which the new reporting municipality obtains control of the assets and liabilities and the combining entities loses control of their assets and liabilities.

All relevant facts and circumstances are considered in identifying the merger date.

Assets acquired [transferred] and liabilities assumed [derecognised]

The recognition of assets and liabilities by the entity as combined entity are subject to the following conditions:

The assets and liabilities that qualify for recognition in a merger are part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

Other criteria for the Municipality (as the combined Municipality)

The assets and liabilities that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the merger date.

Costs that the entity expects but which the municipality is not obliged to incur in the future to effect its plan to exit an activity of the combining entities or to terminate the employment of, or relocate the combining entities' employees, is not be accounted for as part of the liabilities at the merger date. The entity does not recognise those costs as part of a merger. Instead, the municipality recognises these costs in its unaudited annual financial statements after the merger has occurred, in accordance with the applicable Standards of GRAP.

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Accounting Policies

1.32 Mergers (continued)

Accounting by the Municipality as the combined Municipality

Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the merger, a combining municipality was not applying the accrual basis of accounting, that combining municipality changes its basis of accounting to the accrual basis of accounting prior to the merger.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, the municipality reports in its unaudited annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the merger date.

The municipality considers all relevant factors in determining whether information obtained after the merger date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the merger date. Relevant factors include the date when additional information is obtained and whether the municipality can identify a reason for a change to provisional amounts.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the merger had been completed at the merger date. Thus, the municipality revises comparative information for prior periods presented in unaudited annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a merger only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure incurred in relation to the merger

Expenditures incurred in relation to the merger are costs that the entity incurs to effect the merger. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, costs to furnish information to owners of the combining entities, and salaries and other expenses related to services of employees involved in achieving the merger. It also includes costs or losses incurred in combining the assets and liabilities of the combining entities. The municipality accounts for such expenditure as expenses in the period in which the costs are incurred.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

At the merger date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, the operating or accounting policies and other relevant conditions as these exist at the merger date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the merger date):

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Accounting Policies

1.32 Mergers (continued)

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

The unaudited annual financial statements of the municipality are prepared using uniform accounting policies for similar transactions and other events or similar circumstances.

1.33 Transfer of functions between entities not under common control

Identifying the acquirer and acquiree

For each transfer of functions between entities not under common control one of the combining entities is identified as the acquirer. Determining the acquirer include a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transactions or event significantly exceed those of other entities. The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which Municipality to the transaction or event is the combining Municipality and which Municipality is the acquirer. Determining the acquirer includes a consideration of, amongst other things, which of the combining entities involved initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer identifies the acquisition date which is the date on which it obtains control of the acquiree. The date on which the acquirer obtains control of the functions is the date on which the acquirer transfers the consideration, acquires the assets and assumes the liabilities of the acquiree as identified to in the binding arrangement.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

As of the acquisition date, the acquirer recognise, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Recognition of identifiable assets acquired and liabilities assumed is subject to the following conditions:

The identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

The identifiable assets acquired and liabilities assumed must be part of what the acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

The acquirer's application of the recognition principle and conditions may result in recognising some assets and liabilities that the acquiree had not previously recognised as assets and liabilities in its financial statements.

Operating leases

The acquirer shall recognise no assets or liabilities related to an operating lease in which the acquiree is the lessee

The acquirer shall determine whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The acquirer shall recognise an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

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1.33 Transfer of functions between entities not under common control (continued)

Intangible assets

The acquirer shall separately recognise the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion .

An intangible asset that meets the contractual-legal right criterion is identifiable even if the asset is not transferable or separable from the acquiree or from other rights and obligations.

An intangible asset that is not individually separable from the acquiree meets the separability criterion if it is separable in the transfer of functions with a related contract, identifiable asset or liability.

At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The acquirer shall make those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Exceptions to the recognition or measurement principles

Contingent liabilities - Exception to recognition principles

The acquirer shall recognise as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

The acquirer recognises a contingent liability assumed in a transfer of functions at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Paragraph .86 provides guidance on the subsequent accounting for contingent liabilities.

Employee benefits - Exception to recognition and measurement principles

The acquirer shall recognise and measure a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The acquirer shall recognise the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit.

Consideration transferred

The consideration transferred in a transfer of functions shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the residual interests issued by the acquirer.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed two years from the acquisition date.

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Accounting Policies

1.33 Transfer of functions between entities not under common control (continued)

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a transfer of functions at the higher of:

(a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Indemnification assets

At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The acquirer shall derecognise the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Reacquired rights

A reacquired right recognised as an intangible asset shall be amortised over the remaining contractual period of the contract in which the right was granted.

Subsequent measurement

The acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

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Accounting Policies

1.34 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
- the definition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
- derecognises the receivable;
- recognises separately any rights and obligations created or retained in the transfer.

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Accounting Policies

1.34 Statutory receivables (continued)

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.35 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
- the operator constructs, develops, or acquires from a third party; or
- is an existing asset of the operator.
- is provided by the grantor (municipality) which:
- is an existing asset of the municipality; or
- is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.36 Accumulated surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
2. Inventories		
Consumables, Maintenance materials, Spare parts and Water	25 456 309	24 498 294
Opening balance of inventories:		
Consumables	2 168 017	2 239 893
Maintenance materials	6 975 425	5 856 124
Spare parts	15 194 129	12 346 404
Water	160 724	127 584
Additions:		
Consumables	8 150 630	6 296 572
Maintenance materials	8 731 882	20 689 838
Spare parts	11 743 883	9 919 343
Water	79 470 496	73 262 345
Issued:		
Consumables stores	(7 134 063)	(6 368 448)
Maintenance materials	(9 151 927)	(19 570 537)
Spare parts	(11 368 815)	(7 071 618)
Water	(79 484 072)	(73 229 206)
Closing balance of inventories	25 456 309	24 498 294
3. Other receivables		
Proceeds from the disposal of assets	-	1 659 564
Mbombela stadium management	3 374 580	2 337 283
Other receivables	6 078 169	6 939 765
Deposits	1 007 953	975 853
Department of Health - primary health care service	-	7 000 000
Traffic fines	3 787 482	2 802 419
Interest received	1 390	1 390
	14 249 574	21 716 274
Traffic fines		
Gross balance		
Fines	106 047 509	84 733 127
Less: Allowance for impairment		
Fines	(102 260 027)	(81 930 708)
Net balance		
Fines	3 787 482	2 802 419
Balance at the beginning of the year	84 733 127	65 417 641
Fines issued	23 940 778	23 188 765
Less: Received	(2 626 396)	(3 873 279)
	106 047 509	84 733 127
Reconciliation of allowance for impairment		
Balance at the beginning of the year	81 930 708	61 938 646
Contributions to allowance	20 329 319	19 992 062
	102 260 027	81 930 708

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
4. VAT receivable		
VAT receivable	62 569 703	48 378 936
VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from receivables.		
5. Trade and other receivables		
Gross balances		
Rates	109 164 184	59 453 316
Electricity	102 185 036	108 300 776
Water	15 329 194	9 708 095
Interest on arrears	18 193 047	11 813 974
Sewerage	5 406 432	4 115 532
Refuse	29 679 918	20 041 911
Other	19 687 309	17 299 649
	299 645 120	230 733 253
Less: Allowance for impairment		
Rates	(57 262 276)	(18 922 077)
Electricity	(8 307 377)	(7 795 714)
Water	(7 838 107)	(3 230 352)
Interest on arrears	(12 288 534)	(8 178 963)
Sewerage	(3 227 422)	(1 173 673)
Refuse	(20 137 042)	(12 939 970)
Other	(13 704 021)	(9 464 647)
	(122 764 779)	(61 705 396)
Net balance		
Rates	51 901 908	40 531 239
Electricity	93 877 659	100 505 062
Water	7 491 087	6 477 743
Interest in arrears	5 904 513	3 635 011
Sewerage	2 179 010	2 941 859
Refuse	9 542 876	7 101 941
Other	5 983 288	7 835 002
	176 880 341	169 027 857
Included in above is receivables from exchange transactions		
Electricity	93 877 659	100 505 062
Water	7 491 087	6 477 743
Sewerage	2 179 010	2 941 859
Refuse	9 542 876	7 101 941
Other	5 983 288	7 835 002
	119 073 920	124 861 607
Included in above is receivables from non - exchange transactions (taxes and transfers)		
Rates	51 901 908	40 531 239
Interest on arrears	5 904 513	3 635 011
	57 806 421	44 166 250
Net balance	176 880 341	169 027 857

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
5. Trade and other receivables (continued)		
Ageing of trade receivables from non - exchange transactions		
Rates		
Current (0 -30 days)	20 369 112	21 043 654
31 - 60 days	7 240 827	7 352 088
61 - 90 days	6 359 051	6 122 124
91 - 120 days	6 274 805	5 336 966
121 - 365 days	39 418 950	9 693 922
> 365 days	29 501 439	9 904 562
	109 164 184	59 453 316
Interest		
Current (0 -30 days)	1 127 471	1 654 280
31 - 60 days	1 045 124	1 586 652
61 - 90 days	952 355	1 520 677
91 - 120 days	872 697	1 454 654
121 - 365 days	4 545 615	1 429 833
> 365 days	9 649 785	4 167 878
	18 193 047	11 813 974
Total ageing from non - exchange transactions		
Current (0 -30 days)	21 496 583	22 697 934
31 - 60 days	8 285 951	8 938 740
61 - 90 days	7 311 406	7 642 801
91 - 120 days	7 147 502	6 791 620
121 - 365 days	43 964 565	11 123 755
> 365 days	39 151 224	14 072 440
	127 357 231	71 267 290
Ageing of trade receivables from exchange transactions		
Electricity		
Current (0 -30 days)	82 880 631	86 971 951
31 - 60 days	5 015 508	9 396 437
61 - 90 days	2 195 049	2 230 348
91 - 120 days	1 690 757	1 524 125
121 - 365 days	5 961 322	2 273 574
> 365 days	4 441 769	5 904 341
	102 185 036	108 300 776
Water		
Current (0 -30 days)	4 863 695	4 059 544
31 - 60 days	1 120 599	870 713
61 - 90 days	923 265	723 508
91 - 120 days	1 106 839	592 700
121 - 365 days	5 905 340	1 122 467
> 365 days	1 409 456	2 339 163
	15 329 194	9 708 095

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
5. Trade and other receivables (continued)		
Sewerage		
Current (0 -30 days)	845 521	1 313 638
31 - 60 days	336 841	422 371
61 - 90 days	286 303	324 624
91 - 120 days	355 603	283 065
121 - 365 days	2 818 681	903 410
> 365 days	763 483	868 424
	5 406 432	4 115 532
Refuse		
Current (0 -30 days)	4 596 180	4 986 391
31 - 60 days	1 859 690	2 232 895
61 - 90 days	1 574 898	1 930 199
91 - 120 days	1 516 196	1 846 878
121 - 365 days	12 265 202	524 432
> 365 days	7 867 752	8 521 116
	29 679 918	20 041 911
Other		
Current (0 -30 days)	2 611 097	7 851 395
31 - 60 days	1 406 096	715 518
61 - 90 days	1 518 639	1 582 604
91 - 120 days	1 480 070	391 696
121 - 365 days	4 816 292	1 857 249
> 365 days	7 855 115	4 901 187
	19 687 309	17 299 649
Total ageing from exchange transactions		
Current (0 -30 days)	95 797 124	105 182 919
31 - 60 days	9 738 734	13 637 934
61 - 90 days	6 498 154	6 791 283
91 - 120 days	6 149 465	4 638 464
121 - 365 days	31 766 838	6 681 132
> 365 days	22 337 574	22 534 231
	172 287 889	159 465 963

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
5. Trade and other receivables (continued)		
Summary of receivables by customer classification		
Residential		
Current (0 -30 days)	39 480 397	43 708 530
31 - 60 days	9 912 648	15 445 113
61 - 90 days	7 670 054	9 457 723
91 - 120 days	7 852 912	7 312 608
121 - 365 days	51 915 085	2 390 281
> 365 days	34 946 165	24 272 594
	151 777 261	102 586 849
Industrial/ commercial		
Current (0 -30 days)	70 133 343	77 804 051
31 - 60 days	4 332 381	3 771 863
61 - 90 days	3 277 331	2 195 751
91 - 120 days	2 542 702	1 738 791
121 - 365 days	8 319 284	13 382
> 365 days	3 281 545	277 096
	91 886 586	85 800 934
Government		
Current (0 -30 days)	7 667 108	6 368 271
31 - 60 days	3 779 656	3 359 698
61 - 90 days	2 862 177	2 780 612
91 - 120 days	2 901 353	2 378 686
121 - 365 days	15 497 034	15 401 224
> 365 days	23 273 945	12 056 979
	55 981 273	42 345 470
Reconciliation of allowance for impairment of consumer receivables		
Balance at the beginning of the year	61 705 396	216 728 820
Contribution to allowance	61 863 053	58 551 102
Impaired receivables written off against provision	(803 670)	(213 574 526)
Balance at the end of the year	122 764 779	61 705 396
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	68 085	61 685
Cash at bank	51 533 354	94 782 303
Total cash	51 601 439	94 843 988

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Figures in Rand 2016 2015

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Primary Bank Acc - ABSA Nelspruit: Account Number: 40-5321-5785	13 135 775	7 920 288	34 855 694	13 296 634	(19 522 017)	8 247 939
Spiral Plan - Bank: ABSA Nelspruit: Account Number: 90-6703-3766	4 481	4 476	4 472	-	-	-
Saving Account - Bank: ABSA Nelspruit: Account Number: 90-6916-6741	990	980	974	-	-	-
Call Account (Water Deposits) - Bank: ABSA Nelspruit: Account Number: 90-6983-8617	4 509	561 991	558 965	4 509	561 991	558 695
Call Account (Grant Funding) - Bank: ABSA Nelspruit: Account Number: 90-6983-9003	90 162	88 189	88 708	90 162	89 189	88 708
Call Account (Service Contribution) - Bank: ABSA Nelspruit: Account Number: 90-7568-1173	610 947	33 010	1 218 409	651 315	4 419 541	3 182 107
Call Account (Taxi Disaster) - Bank: ABSA Nelspruit: Account Number: 91-2727-3547	27 917	27 522	27 268	27 917	27 522	27 268
Call Account (Grants) - Bank: ABSA Nelspruit - Account Number: 40-8341-7222	43 495	28 943	8 183 377	43 495	28 943	8 404 185
Fixed Deposit (Grants) - Bank: Nedbank Capital: Account Number: 03/7881030909/000007	-	-	50 000 000	-	-	50 000 000
Fixed deposit (Grants) - Bank: Standard bank Capital Account Number: 338 520 198/002	-	51 291 082	-	-	51 291 082	-
Mbombela Mayoral Fund - Bank: ABSA Nelspruit: Account Number: 40-788-9377	10 325	772 028	255 043	10 325	772 028	255 043
Call Account (Mbombela 2010 Host City) - Bank: ABSA Nelspruit: Account Number: 40-7502-7970	5 736	5 490	5 273	5 736	5 490	5 273
Call Account (Mbombela 2010 Fan Park Operator) -Bank: ABSA Nelspruit: Account Number: 40-7611-2661	1 242	1 188	1 141	1 242	1 188	1 141
Cheque Account (White River Disaster Fund)	29 060	27 682	26 535	29 060	27 682	26 535
Cheque Account (Mbombela Conditional Grants)	8 945	58 297	54 325	8 945	56 947	54 325
Call Account (Lottery Distribution Trust Fund Mbombela)	9 254	58 297	57 075	9 254	58 297	57 075
Cheque Account - Bank: ABSA, Prime Link Account: Account Number: 40-6653-7243	9 474 341	30 969 878	767 945	9 474 341	30 969 878	767 947

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand 2016 2015

6. Cash and cash equivalents (continued)

Bank: ABSA Nelspruit - Account	27 880 419	25 994 542	24 376 706	27 880 419	25 994 542	24 376 706
Number: 20-7400-3363						
Petty cash	-	-	-	68 085	61 685	58 885
Total	51 337 598	117 843 883	120 481 910	51 601 439	94 843 988	96 111 832

7. Investment properties

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	356 363 862	(18 213 585)	338 150 277	356 363 862	(17 018 119)	339 345 743

Reconciliation of investment properties - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	339 345 743	-	-	(1 195 466)	338 150 277

Reconciliation of investment properties - 2015

	Opening balance	Additions	Disposals	Prior year adjustment	Depreciation	Total
Investment property	334 167 527	-	-	8 083 694	(2 905 478)	339 345 743

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No investment properties were pledged as security for liabilities.

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Figures in Rand

8. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	718 578 128	(79 045 788)	639 532 340	680 130 238	(72 000 799)	608 129 439
Infrastructure	5 560 915 767	1 586 243 858	3 974 671 909	5 044 364 650	1 437 599 578	3 606 765 072
Community	1 409 553 241	(425 848 809)	983 704 432	1 385 242 120	(373 446 745)	1 011 795 375
Leased Assets	444 086	(444 086)	-	444 086	(444 086)	-
Other Assets	303 308 288	(184 082 435)	119 225 853	263 845 254	(146 213 499)	117 631 755
Total	7 992 799 510	(2 275 664 976)	5 717 134 534	7 374 026 348	(2 029 704 707)	5 344 321 641

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Donations	Depreciation	Total
Land and buildings	608 129 439	44 509 991	(123 330)	(5 592 343)	-	(7 391 417)	639 532 340
Infrastructure	3 606 765 072	490 187 661	-	-	26 363 456	(148 644 280)	3 974 671 909
Community	1 011 795 375	18 372 350	-	5 592 343	-	(52 055 636)	983 704 432
Other Assets	117 631 755	40 208 850	(175 885)	-	-	(38 438 867)	119 225 853
	5 344 321 641	593 278 852	(299 215)	-	26 363 456	(246 530 200)	5 717 134 534

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Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Change in accounting estimates	Prior year adjustment	Depreciation	Total
Buildings	545 486 425	73 734 175	(146 220)	602 735	(4 818 505)	(6 729 171)	608 129 439
Infrastructure	3 334 954 863	400 999 580	-	-	(3 171 664)	(126 017 707)	3 606 765 072
Community	1 077 715 065	445 337	-	-	-	(66 365 027)	1 011 795 375
Other Assets	103 179 803	39 382 702	(1 536 696)	-	-	(23 394 054)	117 631 755
	5 061 336 156	514 561 794	(1 682 916)	602 735	(7 990 169)	(222 505 959)	5 344 321 641

Refer to Appendix B for more details on property, plant and equipment.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No property, plant and equipment were pledged as security for liabilities.

9. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Software and other	8 108 987	(7 373 350)	735 637	7 464 792	(5 711 662)	1 753 130
Servitudes	4 590 568	-	4 590 568	4 590 568	-	4 590 568
Total	12 699 555	(7 373 350)	5 326 205	12 055 360	(5 711 662)	6 343 698

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9. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Software and other	1 753 130	644 195	-	(1 661 688)	735 637
Servitudes	4 590 568	-	-	-	4 590 568
	6 343 698	644 195	-	(1 661 688)	5 326 205

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Software and other	482 366	1 693 859	-	(423 095)	1 753 130
Servitudes	4 590 568	-	-	-	4 590 568
	5 072 934	1 693 859	-	(423 095)	6 343 698

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Intangible assets were pledged as security for liabilities.

10. Heritage assets

	2016			2015		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	1 772 462	-	1 772 462	1 715 873	-	1 715 873

Reconciliation of heritage assets 2016

	Opening balance	Additions	Disposals	Impairment loss	Total
Art Collections, antiquities and exhibits	1 715 873	56 589	-	-	1 772 462

Reconciliation of heritage assets 2015

	Opening balance	Additions	Disposals	Impairment loss	Total
Art Collections, antiquities and exhibits	1 481 405	234 468	-	-	1 715 873

The heritage assets mainly consists of pieces of art work held for the benefit of the present and future generations.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Heritage assets were pledged as security for liabilities.

11. Investments

Fixed Deposits	16 144 521	15 186 034
	-	-
	16 144 521	15 186 034
	-	-

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
11. Investments (continued)		
Non-current assets		
Fixed deposits	16 144 521	15 186 034
A call deposit amounting to R 10 172 444 has been invested with Nedbank bank as security for a loan of R 22 000 000 at DBSA.		
12. Non - current receivables		
Department of health - primary health care services	-	55 303 036
Housing selling scheme loans	3 283 222	3 211 984
Impairment - Housing selling scheme loans	(2 774 864)	(2 788 221)
Current portion	(28 992)	(26 106)
	479 366	55 700 693
Reconciliation of impairment allowance		
Opening balance	(2 788 221)	(3 298 144)
Transfer during the year	13 357	509 923
	(2 774 864)	(2 788 221)
13. Borrowings		
At amortised cost		
Development Bank of South Africa R22 million	1 920 093	5 354 897
This loan bears interest at 15.50% and is payable bi-annually installments		
Development Bank of South Africa R200 million	160 240 840	156 905 622
This loan bears interest at 12.62% and is payable bi-annually installments		
Development Bank of South Africa R21.6 million	16 629 153	17 595 253
This loan bears interest at 10.74% and is payable bi-annually installments		
Development Bank of South Africa R138.6 million	141 971 118	85 258 280
This loan bears interest at 12.62% and is payable bi-annually installments		
Standard Bank - R25 million	10 364 767	12 323 809
This loan bears interest at 10.50% and is payable bi-annually installments		
	331 125 971	277 437 861
Total other financial liabilities	331 125 971	277 437 861
Non-current liabilities		
At amortised cost	281 817 466	255 625 774
Current liabilities		
At amortised cost	49 308 505	21 812 087

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Figures in Rand	2016	2015
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14. Long service awards

In accordance with the bargaining collective agreement on conditions of service for the Mpumalanga division and municipal policy, the municipality makes provision for long service awards where employees have uninterrupted service of at least five (5) years.

The amounts recognised in the statement of financial position are as follows:

Opening balance	49 406 804	44 062 799
Current service costs	5 329 849	4 482 299
Interest costs	4 462 171	4 006 541
Actuarial gain	(1 731 366)	(1 064 020)
Expenditure incurred	(3 741 478)	(2 080 815)
	53 725 980	49 406 804

Non-current liabilities	51 011 328	44 706 435
Current liabilities	2 714 652	4 700 369
	53 725 980	49 406 804

Net expense recognised in the statement of financial performance

Current service cost	5 329 849	4 482 299
Interest cost	4 462 171	4 006 540
Actuarial gain	(1 731 366)	(1 064 020)
Expenditure incurred	(3 741 478)	(2 080 815)
	4 319 176	5 344 004

Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2016 were as follows:

Discount rate	9.13 %	8.51 %
Consumer inflation	7.24 %	6.73 %
Salary inflation	8.24 %	7.73 %

Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The duration of the post employment medical aid liabilities was assumed to be 9.9 years based on the previous valuation report. The 9.9 year duration point on the best-fit zero coupon yield curve published by the Bond Exchange of South Africa and obtained from i-net Bridge at the valuation date was applied to derive the appropriate discount rate. The yield curve is calculated based on the South African Government Bonds yields, issued sizes and durations.

A 1 percentage change in the assumed rate of increase of long service awards would have the following effect:

30 June 2016	Decrease	Increase
Discount rate effect on the current service cost	11 382 389	10 328 106
Discount rate effect on the defined benefit liability	58 973 740	1 936 735
30 June 2015	Decrease	Increase
Discount rate effect on the current service cost	648 196	239 906
Discount rate effect on the defined benefit liability	4 778 100	1 936 735

Disclosure of present value of long service award obligation for the previous four reported periods.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
14. Long service awards (continued)		
	2016	2015
Present value of long service award obligation	53 725 978	49 406 805
	2014	2013
Present value of long service award obligation	44 616 189	37 590 080
	2012	2011
Present value of long service award obligation	6 397 628	4 909 963
15. Trade and other payables from exchange transactions		
Trade payables	343 035 138	316 612 608
Eskom	119 668 841	95 287 991
Accrued staff leave	35 899 366	34 055 493
Retentions	71 015 311	47 191 936
Other Payables	4 978 437	4 650 277
Accrued bonuses	11 420 590	10 541 567
Department of Water and Sanitation (DWS)	52 688 136	36 783 352
Motor Vehicles Licences Province	101 023 814	53 236 048
Salaries - South African Revenue Services	7 183 915	6 398 025
Salaries -Employee Related Costs deductions and social contributions	23 349 717	33 358 299
	770 263 265	638 115 596
16. Consumer deposits		
Electricity	23 974 401	22 703 655
Water	1 661 678	1 456 640
	25 636 079	24 160 295
Guarantees held in lieu of electricity and water deposit	961 928	979 093

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Figures in Rand	2016	2015
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17. Post employment benefits

Post employment health care employee benefit

The municipality provides for employees and continuation members to subscribe to a South African Local Government Association accredited medical aid scheme. Upon retirement an employee has the option of continued membership to the medical aid scheme. The municipality provides a 60% subsidy of medical scheme contribution to eligible in service and continuation members upon retirement.

The amounts recognised in the statement of financial position are as follows:

Opening balance	145 900 589	132 356 539
Current service costs	10 177 938	8 736 721
Interest costs	14 812 479	13 526 497
Actuarial loss / (gain)	4 867 482	(6 236 466)
Actual post-retirement health care benefits payments	(2 729 272)	(2 482 702)
	173 029 216	145 900 589
Non-current liabilities	170 415 936	143 243 522
Current liabilities	2 613 280	2 657 067
	173 029 216	145 900 589

Net expense recognised in the statement of financial performance

Current service cost	10 177 938	8 736 721
Interest cost	14 812 479	13 526 497
Actuarial loss / (gain)	4 867 482	(6 236 466)
Actual post-retirement health care benefits payments	(2 729 272)	(2 483 600)
	27 128 627	13 543 152

The medical aid benefit expense is included in employee remuneration.

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Figures in Rand	2016	2015
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17. Post employment benefits (continued)

Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2016 were as follows:

Discount rate	11.52 %	9.57 %
Consumer inflation	9.52 %	7.44 %
Medical inflation	10.52 %	8.44 %
Expected retirement age (years)	65	65

Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The duration of the post employment medical aid liabilities was assumed to be 23.35 years based on the previous valuation report. The 23.35 year duration point on the best-fit zero coupon yield curve published by the Bond Exchange of South Africa and obtained from i-net Bridge at the valuation date was applied to derive the appropriate discount rate. The yield curve is calculated based on the South African Government Bonds yields, issued sizes and durations.

A 1% percentage change in the assumed rate of an increase of medical aid benefits would have the following effect:

	Decrease	Increase
30 June 2016		
Health cost inflation effect on the current service cost	22 923 631	36 527 695
Health cost inflation effect on the defined benefit liability	141 495 988	214 234 012
Discount rate effect on the current service cost	34 495 114	24 345 395
Discount rate effect on the health care benefit liability	214 396 510	141 882 452
30 June 2015		
Health cost inflation effect on the current service cost	2 153 715	2 988 640
Health cost inflation effect on the defined benefit liability	24 950 535	33 046 849
Discount rate effect on the current service cost	2 988 963	2 120 778
Discount rate effect on the health care benefit liability	3 033 464	24 546 276

Disclosure of present value of defined benefit obligation for the previous four reported periods.

	2016	2015
Present value of defined benefit obligation	173 029 216	145 900 589
	2014	2013
Present value of defined benefit obligation	132 963 695	109 367 629
	2012	2011
Present value of defined benefit obligation	151 472 753	127 571 000

The amounts disclosed above represent a wholly unfunded defined benefit obligation.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure(MIG)	92 945 721	65 497 504
Financial Management Grant (FMG)	331 979	196 343
Provincial Grant	27 917	27 522
Electricity Demand Side Management Grant (DME)	7 000 000	-
Expanded Public Works Programme (EPWP)	-	2 581 950
National Lottery Grant	4 500 322	4 499 366
Human Settlements Grant	25 369 717	72 876 340
Municipal Water Infrastructure Grant (MWIG)	10 476 133	852 112
Public Transport Infrastructure Grant (PTIG)	311 607	17 191 694
Municipal Disaster Recovery Grant	-	507 500
Municipal Systems Improvement Grant (MSIG)	387 955	72 658
Integrated National Electrification Programme Grant (INEP)	-	6 842 912
Neighbourhood Development Partnership Grant (NDGP)	12 718 789	2 283 864
Water Service Grant	-	4 065 758
Public Transport Network Grant (PTNG)	28 675 517	-
	182 745 657	177 495 525

Refer to note 28 for reconciliation of individual grants

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

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19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Change in estimate	Change in discounting factor	Fair value adjustments	Total
Rehabilitation of landfill sites	92 811 896	(2 375 945)	1 617 099	7 922 746	99 975 796

Reconciliation of provisions - 2015

	Opening Balance	Change in accounting estimates	Change in discounting factor	Fair value adjustments	Total
Rehabilitation of landfill sites	91 039 987	602 735	308 636	860 538	92 811 896
Non-current liabilities				96 887 019	88 716 478
Current liabilities				3 088 777	4 095 418
				99 975 796	92 811 896

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in accordance with the National Environmental Management Act 107 of 1998 and the Environment Conservation Act No 73 of 1989. The landfill sites are rehabilitated at the end of each useful life. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental expert

Financial assumptions used for the provision of landfill sites

The financial assumptions used for the provision of landfill site rehabilitation at 30 June were as follows:

Adjustments of unit costs	6.21 %	3.67 %
Consumer Price Index (CPI)	6.21 %	4.13 %

Discount rate:

Tekwane landfill site	8.46 %	6.38 %
Nelspruit, Mbonisweni and Hazyview landfill site	7.96 %	5.38 %
Hazyview landfill site	8.21 %	5.38 %

Net effective discount rate (inflation linked bond rates) above Consumer Price Index (CPI)

Tekwane landfill site	2.25 %	2.25 %
Nelspruit, Mbonisweni and Hazyview landfill site	1.75 %	1.25 %
Hazyview landfill site	2.00 %	1.25 %

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20. Other financial liabilities		
Amounts paid in advance	41 092 283	31 879 907
Deposits in lieu of services	3 008 138	2 615 284
Other	647 837	2 515 376
Service contributions: Sewerage	2 214 431	1 349 758
Service contributions: Water	6 291 717	3 639 479
Unknown deposits	8 212 411	11 111 938
	61 466 817	53 111 742
21. Deferred revenue		
Delta EMD: Opening balance	2 483 456	2 952 418
Revenue recognised	(2 483 456)	(468 962)
	-	2 483 456
<p>This was an advance payment by Delta EMD (PTY) LTD as a contribution for construction of a landfill site. Delta (PTY) LTD received preferential usage of the landfill site and the revenue recognised is the amount billed for the utilisation of the landfill site. This net amount is therefore treated as deferred revenue.</p>		
22. Service charges		
Sale of electricity	741 517 152	665 203 061
Sale of water	39 249 356	30 319 489
Sewerage and sanitation charges	16 361 907	18 846 179
Refuse removal	73 660 989	72 450 036
Total Service Charges	870 789 404	786 818 765
23. Rental of facilities and equipment		
Mbombela stadium	9 623 451	13 447 046
Concession rental	2 275 995	2 275 995
Advertising and signs	1 481 030	2 993 264
Personnel housing	1 091 753	986 955
Halls	476 603	403 373
Other	174 947	74 913
Sports fields	120 996	117 668
Sundry grounds and building	1 925 285	2 118 274
Flats	129 143	98 188
	17 299 203	22 515 676
24. Finance income		
Outstanding receivables from exchange transactions	9 642 580	8 832 119
Cash and cash equivalent and investments	6 909 858	7 447 179
Other receivables from non exchange transactions	455 634	487 433
	17 008 072	16 766 731

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
25. Agency fee		
Department of Community Safety, Security and Liaison		
Agency fees	29 512 126	26 775 236
Revenue received on behalf of the Department	144 418 790	127 188 852
Less: Licence card fees	(2 242 336)	(2 259 953)
Less: VAT on agency fees	(4 215 159)	(8 169 158)
Less: Accruals and payments to the Department	(108 449 169)	(89 984 505)
	29 512 126	26 775 236

The municipality acts as an agent for the Department of Community Safety, Security and Liaison in collecting motor vehicle licence fees. The agency fee comprises of a percentage of the fees collected.

26. Other revenue

Electricity connections	2 579 297	5 679 505
VAT - revenue on conditional grants	67 423 904	63 245 574
Prepaid commission	1 794 549	1 576 664
Concession fee	3 009 457	4 222 725
Licensing & testing grounds	2 242 336	2 259 953
Water cost recovery (Silulumanzi)	3 329 237	4 486 410
Sales of Bid documents	1 004 444	510 150
Refund - Sector Education and Training Authorities	585 219	468 363
Building plan fees	3 042 084	3 053 525
Burial fees	452 263	385 116
Administration fees (Debt collection)	3 117 112	1 569 076
Clearance certificates	876 462	895 236
Township recovery costs	76 229	68 206
Prescribed creditors	3 159 794	74 590
Sundry income	2 788 113	3 046 028
Insurance claims	1 415 832	1 528 359
Bursary recoveries	48 610	63 460
Sales - sundries	159 411	92 303
Refund - Workmen's Compensation Fund	995 281	628 866
Bad debts recovered	31 540 785	367 682
Licence and permits	780	1 360
Service contributions	5 430 139	6 361 327
Total Other Revenue	135 071 338	100 584 478

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
27. Property rates		
Rates Revenue		
Residential	214 021 507	197 139 716
Commercial	258 565 052	236 659 903
Government	47 227 797	45 063 975
Agriculture	13 400 484	12 799 482
Other	4 807 935	2 219 159
Less: Income forgone	(173 672 796)	(158 208 648)
	364 349 979	335 673 587

Valuations

Residential	25 875 985 622	24 723 650 560
Commercial	12 390 707 831	11 888 633 000
Government	1 928 186 004	1 798 385 999
Municipal	824 358 918	807 085 221
Agriculture	6 533 927 420	6 482 973 780
Other	901 740 042	821 458 650
	48 454 905 837	46 522 187 210

Valuations on land and buildings are performed every four years. The last valuation compiled in accordance with the Municipal Property Rates Act, 2004 came into effect on 1 July 2014. Interim valuations are processed on a bi-annual basis to take into account changes in individual property values due to alterations.

A general rate of 0.8390 cent in a Rand (2015 : 0.7915) is applied to property valuations to determine property rates. Various rebates are granted to residential, business, agricultural and other properties and/or categories of owners in terms of the approved Property Rates By-Law. Rates are levied on a monthly basis on property owners. Interest at 10.25 % per annum (2015 :10%) is levied on outstanding rates.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
28. Government grants and subsidies		
Operating grants		
Equitable share	462 072 529	386 477 000
Financial Management Grant (FMG)	1 373 817	1 494 204
Municipal System Improvement Grants (MSIG)	542 045	1 058 684
Expanded Public works Programme (EPWP)	9 480 950	3 458 050
Disaster Relief Grant	-	2 965 257
Municipal Infrastructure Grant (operating projects)	13 081 754	12 545 746
Human Settlements Grant	457 479	1 124 728
Public Transport Infrastructure Grant (PTIG)	28 139 333	15 188 144
Integrated National Electrification Programme (INEP)	-	6 555 416
Neighbourhood Development Partnership Grant (NDPG)	-	1 948 772
	515 147 907	432 816 001
Capital grants		
Municipal Infrastructure Grant (MIG)	229 559 585	243 054 840
Water Services Grant	17 543 860	13 415 652
Public Transport Infrastructure Grant (PTIG)	14 807 094	140 951 599
National Lottery Grant	-	358 145
Integrated National Electrification Programme	2 216 509	-
Disaster Relief Grant (DRG)	-	961 223
Municipal Water Infrastructure Grant (MWIG)	39 056 024	3 403 673
Human Settlement Grant	41 214 997	5 124 097
Neighbourhood Development Partnership Grant (NDPG)	46 587 905	4 514 955
Public Transport Network Grant (PTNG)	48 934 775	-
	439 920 749	411 784 184
Total Government grants and subsidies	955 068 656	844 600 185

Equitable Share

Equitable share	462 072 529	386 477 000
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This grant is unconditional and is partially utilised for the indigent support through free provision basic services.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	65 497 504	234 240 132
Current-year receipts	298 264 000	286 043 000
Conditions met - transferred to revenue - capital	(229 559 585)	(243 054 840)
Conditions met - transferred to revenue - operating	(13 081 754)	(12 545 746)
Conditions met - Value added Tax - transferred to revenue	(33 969 788)	(35 784 081)
Prior year adjustment	-	(163 400 961)
Project refund from Sembcorp	5 795 344	-
	92 945 721	65 497 504

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and service delivery was done but for financial reporting purposes the asset recognition criteria is not met. The revenue recognised met the conditions of the grant. The unspent amount is committed.

The municipality has applied to National Treasury for condonation of unauthorised expenditure incurred on this grant during April 2012 and is awaiting an official response on the application.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
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28. Government grants and subsidies (continued)

Finance Management Grant (FMG)

Balance unspent at beginning of year	196 343	90 547
Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 373 817)	(1 494 204)
Transferred to equitable share	(90 547)	-
	331 979	196 343

The grant was used to promote and support reforms in financial management through financial management internship and reforms programmes. The revenue recognised met the conditions of the grant.

Other Provincial Grants

Balance unspent at beginning of year	27 522	27 270
Current-year receipts	395	252
	27 917	27 522

The grants were utilised for various projects as set out in the conditions of the grants.

Electricity Demand Side Management (EDSM)

Balance unspent at beginning of year	-	(1 250 854)
Current-year receipts	7 000 000	-
Prior year adjustment	-	1 250 854
	7 000 000	-

The grant was used for implementation of the electricity demand side management in order to reduce electricity consumption and improve energy efficiency. The unspent balance is committed..

Expanded Public Works Programme (EPWP) Grant

Balance unspent at beginning of year	2 581 950	-
Current-year receipts	6 899 000	6 040 000
Conditions met - transferred to revenue - operating	(9 480 950)	(3 458 050)
	-	2 581 950

The grant was used to expand employment creation efforts as a national priority through the use of labour intensive delivery methods within the municipality. The unspent balance is committed.

Disaster relief

Balance unspent at beginning of year	-	1 058 800
Current-year receipts	-	1 950 000
Conditions met - transferred to revenue - capital	-	(961 223)
Conditions met - transferred to revenue - operating	-	(2 965 257)
Conditions met - Value Added Tax - transferred to revenue	-	(549 707)
Prior year adjustment	-	1 467 387
	-	-

The grant was used for immediate responses to disaster within the municipality.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
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28. Government grants and subsidies (continued)

National Lottery Grant

Balance unspent at beginning of year	4 499 366	4 856 289
Current-year receipts	956	1 222
Conditions met - transferred to revenue	-	(358 145)
	4 500 322	4 499 366

Human Settlements Grant

Balance unspent at beginning of year	72 876 340	-
Current-year receipts	-	80 000 000
Conditions met - transferred to revenue - capital	(41 214 997)	(5 124 097)
Conditions met - transferred to revenue - operating	(457 479)	(1 124 728)
Conditions met - Value Added Tax - transferred to revenue	(5 834 147)	(874 835)
	25 369 717	72 876 340

Municipal Water Infrastructure Grant (MWIG)

Balance unspent at beginning of year	852 112	4 732 299
Current-year receipts	55 000 000	-
Conditions met - transferred to revenue - operating	(39 056 024)	(3 403 673)
Conditions met - Value Added Tax - transferred to revenue	(5 467 843)	(476 514)
Transferred to equitable share	(852 112)	-
	10 476 133	852 112

The grant was used for planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving basic water supply services. The revenue recognised met the conditions of the grant. The unspent balance of R 852 112 was not approved for roll over by National Treasury resulting in the R 852 112 being withheld from the Equitable Share allocation.

Public Transport Infrastructure Grant (PTIG)

Balance unspent at beginning of year	17 191 694	41 177 177
Current-year receipts	-	195 191 000
Conditions met - transferred to revenue - capital	(14 807 094)	(140 951 599)
Conditions met - transferred to revenue - operating	-	(15 188 144)
Conditions met - Value Added Tax - transferred to revenue	(2 072 993)	(21 859 563)
Prior year adjustment	-	(41 177 177)
	311 607	17 191 694

The grant was used for accelerated planning, construction and improvement of public and non-motorised transport infrastructure and services. The revenue recognised met the conditions of the grant. The unspent balance is committed.

The municipality has applied to National Treasury for condonation of unauthorised expenditure incurred on this grant during April 2012 and is awaiting an official response on the application.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
28. Government grants and subsidies (continued)		
Municipal Disaster Recovery Grant		
Balance unspent at beginning of year	507 500	-
Current-year receipts	-	507 500
Transferred to equitable share	(507 500)	-
	-	507 500

The grant is intended to be used for immediate responses to disaster within the municipality. The unspent balance of R 507 500 was not approved for roll over by National Treasury resulting in the R 507 500 being withheld from the Equitable Share allocation.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	72 658	197 341
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue - operating	(542 045)	(1 058 683)
Transferred to equitable share	(72 658)	-
	387 955	72 658

The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome. The revenue recognised met the conditions of the grant. The unspent balance amount of R 72 657 that was not approved for roll over by National Treasury resulting in the R 72 657 being withheld from the Equitable Share allocation.

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	6 842 912	4 316 085
Current-year receipts	-	10 000 000
Conditions met - transferred to revenue - Capital	(2 216 509)	-
Conditions met - transferred to revenue - operating	-	(6 555 416)
Conditions met - Value Added Tax - transferred to revenue	(310 311)	(917 757)
Transferred to equitable share	(4 316 092)	-
	-	6 842 912

The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant. The unspent balance amount of R 4 316 085, relating to the previous financial year was not approved for roll over by National Treasury resulting in the R 4 316 085 being withheld from the Equitable Share allocation.

Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	2 283 864	(347 487)
Current-year receipts	65 829 000	10 000 000
Conditions met - transferred to revenue - capital	(46 587 905)	(4 514 955)
Conditions met - transferred to revenue - operating	-	(1 948 772)
Conditions met - Value Added Tax - transferred to revenue	(6 522 307)	(904 922)
Transferred to equitable share	(2 283 863)	-
	12 718 789	2 283 864

The grant was used for planning and development of neighbourhood development programmes with specific regard to the re-development in former 293 townships.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
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28. Government grants and subsidies (continued)

Water Services Grant

Balance unspent at beginning of year	4 065 758	4 359 601
Current-year receipts	20 000 000	15 000 000
Conditions met - transferred to revenue - capital	(17 543 860)	(13 415 652)
Conditions met - Value Added Tax - transferred to revenue	(2 456 140)	(1 878 191)
Transferred to equitable share	(4 065 758)	-
	-	4 065 758

This grant was used for refurbishment of the water schemes and water related infrastructure. The revenue recognised met the conditions of the grant. The unspent balance amount of R 4 065 758 was not approved for roll over by National Treasury resulting in the R 4 065 758 being withheld from the Equitable Share allocation.

Public Transport Network Grant (PTNG)

Current-year receipts	116 540 000	-
Conditions met - transferred to revenue - capital	(48 934 775)	-
Conditions met - transferred to revenue - operating	(28 139 333)	-
Conditions met - Value Added Tax - transferred to revenue - operating	(10 790 375)	-
	28 675 517	-

The grant was used for accelerated planning, construction and improvement of public and non-motorised transport infrastructure and services. The revenue recognised met the conditions of the grant. The unspent grant is committed.

29. Fines

Fines	23 944 956	23 596 792
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Traffic fines

Traffic fines issued	23 759 015	29 000 495
Less: Withdrawals and Discounts	(339 225)	(5 811 730)
Add: Traffic fines from Municipal Court	520 988	376 730
	23 940 778	23 565 495

Other fines

Fines - Electricity Meter Audit	2 629	30 600
Fines - Library Books	1 549	697
	4 178	31 297
	23 944 956	23 596 792

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
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30. Employee related costs

Employee related costs - Salaries and Wages	332 980 119	299 019 118
Employee related costs - Contributions for UIF, pensions and medical aids	97 676 040	85 291 746
Travel, motor car, accommodation, subsistence and other allowances	58 029 685	54 770 936
Overtime payments	54 354 310	65 951 633
Housing benefits and allowances	6 011 515	2 602 592
Post employment medical benefit	10 177 938	8 736 721
Long-service awards expense	5 329 849	4 482 299
	564 559 456	520 855 045

Remuneration of Municipal Manager

Annual Remuneration	1 225 312	669 876
Vehicle & other allowances	300 223	166 542
Contributions to UIF, Medical and Pension Funds	344 815	186 361
	1 870 350	1 022 779

The remuneration disclosed in the 2014/2015 financial year represents 7 months of remuneration, as the Municipal Manager was appointed on the 1st December 2014

Remuneration of Chief Financial Officer

Annual Remuneration	991 355	77 626
Vehicle & other allowances	322 417	22 000
Contributions to UIF, Medical and Pension Funds	122 054	9 515
	1 435 826	109 141

The Chief Financial Officer was appointed on 1 June 2015. The amount reflected in 2014/2015 financial year represents only one month of remuneration.

Remuneration of Deputy Municipal Manager

Annual Remuneration	1 100 998	1 043 385
vehicle & other allowances	189 453	174 729
Contributions to UIF, Medical and Pension Funds	213 129	198 239
	1 503 580	1 416 353

Remuneration of General Manager - Infrastructure Development

Annual Remuneration	392 782	349 984
Vehicle & other allowances	151 511	85 000
Contributions to UIF, Medical and Pension Funds	83 168	75 334
	627 461	510 318

The position of the General Manager - Technical Services was divided in the 2014/2015 financial year into Infrastructure Development and Water and Sanitation, resulting in half of the remuneration being reported under Infrastructure Development and Water and Sanitation, respectively, furthermore the General Manager for Infrastructure Development was appointed on the 2nd January 2016.

Remuneration of General Manager - Corporate Services

Annual Remuneration	810 715	290 566
Vehicle & other allowances	271 357	108 958

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Figures in Rand	2016	2015
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30. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	62 724	100 793
	1 144 796	500 317

The General Manager - Corporate Services was appointed on the 1st July 2015. The 2014/2015 financial year represents 5 months of remuneration, as the former General Manager - Corporate Services was appointed to the position of Municipal Manager.

Remuneration of General Manager - Community Services

Annual Remuneration	736 942	410 862
Vehicle & other allowance	331 357	90 000
Contributions to UIF, Medical and Pension Funds	76 448	115 907
	1 144 747	616 769

The General Manager - Community Services was appointed on the 1st July 2015. The 2014/2015 financial year represents remuneration for acting from the 1st January 2015.

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Figures in Rand	2016	2015
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30. Employee related costs (continued)

Remuneration of General Manager - Strategic Planning and Executive Support Services

Annual Remuneration	969 827	989 963
Vehicle & other allowance	171 357	24 000
Contributions to UIF, Medical and Pension Funds	151 812	204 366
	1 292 996	1 218 329

Remuneration of General Manager - City Planning and Development

Annual Remuneration	820 365	788 692
Vehicle & other allowance	175 357	168 000
Contributions to UIF, Medical and Pension Funds	226 261	192 276
	1 221 983	1 148 968

Remuneration of General Manager - Water and Sanitation

Annual Remuneration	889 534	489 978
Vehicle & other allowances	211 357	119 000
Contributions to UIF, Medical and Pension Funds	192 174	99 037
	1 293 065	708 015

The position of the General Manager - Technical Services was divided in the 2014/2015 financial year into Infrastructure Development and Water and Sanitation, resulting in half of the remuneration being reported under Infrastructure Development and Water and Sanitation, respectively.

31. Remuneration of councillors

Executive Mayor	946 380	898 318
Speaker	761 997	723 548
Mayoral Committee Members	6 443 110	6 007 486
Section 79 Committee	5 409 305	5 259 189
Councillors	10 683 792	9 971 232
Councillors' pension and medical aid contribution	2 346 175	2 129 417
Councillors' allowances	2 753 228	2 897 382
	29 343 987	27 886 572

Remuneration paid to Councillors

Remuneration paid to all councillors are within the upper limits set by the Minister for Co-Operative Governance and Traditional Affairs as per his vested power set out in the Remuneration of Public Office Bearers Act no 20 of 1998.

In-kind Benefits

The Executive Mayor, Speaker and Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties. Council further rented an official residence for the Executive Mayor in accordance with legislative prescripts and subsequent resolution taken by council. The Executive Mayor has been allocated staff for protective services. These are part of tools of trade given the nature of the responsibilities.

Council provided security at the private residences of the Executive Mayor and several other councillors through private security firms at the cost to Council.

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
32. Depreciation and amortisation		
Property, plant and equipment	246 530 200	222 505 960
Investment property carried at cost	1 195 465	2 905 478
Intangible assets	1 661 688	423 095
	249 387 353	225 834 533
33. Finance costs		
Interest on trade payables	10 454 385	11 994 043
Finance costs on borrowings	34 962 178	28 846 143
Interest provided on provision for employee benefits and rehabilitation of landfill sites	20 891 749	17 841 673
	66 308 312	58 681 859
34. Debt impairment		
Trade and other receivables	61 863 054	68 522 876
Traffic fines	20 329 319	19 992 061
	82 192 373	88 514 937
35. Repairs and maintenance		
Roads - dirt roads	47 411 402	41 480 228
Roads - streets and storm water	22 288 805	16 957 461
Water, sewerage infrastructure and services	28 700 781	10 686 960
Vehicles	26 527 817	28 565 338
Electrical infrastructure	36 693 191	43 946 915
Parks, gardens and open spaces	21 608 788	8 508 188
Buildings	14 550 067	21 745 068
Machinery and equipment	3 351 420	2 921 925
Traffic control equipment	1 928 496	1 899 784
Landfill site and waste management control	2 097 656	3 603 124
Sports facilities	3 643 052	3 316 166
Other	309 130	416 110
	209 110 605	184 047 267
36. Bulk purchases		
Electricity	534 299 483	460 528 833
Water	20 701 586	19 765 962
	555 001 069	480 294 795

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Figures in Rand	2016	2015
37. Contracted services		
Operationalisation of fleet & fuel management system	2 847 472	1 538 348
Water purification and distribution	39 783 864	65 220 076
Other services	17 953 897	10 182 312
Valuation roll costs	89 462	1 027 230
Information technology (IT) services	22 791 276	14 274 266
Audit fees	2 098 633	2 229 908
Update of immovable asset register	128 996	3 036 056
Clearing and illegal dumping	9 273 155	7 508 242
Consultation and development	7 017 205	2 422 196
Fire protection and services	4 341 434	1 689 915
Development of master and business plans / feasibility studies	32 185 150	14 525 222
Formalisation and township development	6 011 757	5 751 561
Household electrification and sanitation projects	3 639 995	15 464 784
Human resources programme	699 152	1 688 202
Mbombela stadium management and operational costs	33 268 487	39 437 790
Legal costs	3 315 499	6 157 179
Professional engineering fees	87 433 376	50 911 452
Meter reading services	9 572 151	3 466 062
Implementation of costs and management accounting structure	2 821 471	2 865 225
Public transport management function	-	15 188 144
Security services	52 775 697	54 491 862
Solid waste services	27 403 841	23 237 200
Publications	1 273 871	-
Municipal standard chart of accounts implementation	536 531	-
2030 Vision Development	2 000 000	-
Water Conservation Campaign	1 411 000	-
	370 673 372	342 313 232

38. Grants and subsidies paid

Grant to the Society for the Prevention of Cruelty to Animals	394 890	422 083
Free basic electricity	8 074 643	5 844 535
Indigent subsidy	4 139 380	3 066 752
Free basic water	25 978 950	17 500 000
	38 587 863	26 833 370

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Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
39. General expenses		
Advertising	803 006	1 005 457
Auditors fees	4 314 552	4 174 395
Bank charges	3 579 828	3 124 849
Skill and Development Levies	4 987 901	4 412 987
Marketing	151 073	2 346 545
Chemicals	3 574 574	3 314 126
Agency prepaid commission	3 596 989	2 967 035
Entertainment & refreshments	1 273 931	1 631 000
Electricity (own usage)	47 555 478	34 334 008
Insurance	8 080 830	8 401 821
Transversal programmes	2 241 249	5 219 606
Conferences and delegations	447 186	375 986
Municipal systems improvement grant	542 045	1 058 684
Sport programmes	2 742 823	2 659 280
Magazines, books and periodicals	100 590	181 322
Drivers licence cards	2 216 021	2 262 955
Postage and courier	1 695 719	1 663 721
Printing and stationery	5 026 804	4 003 127
Public participation	4 951 825	5 216 705
Protective clothing	3 041 782	2 071 226
Integrated development plan (IDP) operating project	15 394 202	9 009 455
Recruitment and selection	521 930	783 120
Human Resources programmes	1 604 433	2 225 389
Membership fees	5 975 343	5 209 244
Telephone	7 805 936	6 334 256
Training and capacity building	4 473 024	3 040 488
Travel and subsistence	4 278 113	3 964 114
Electrical connections	1 596 816	2 004 349
Tourism development	-	28 950
EPWP programme	13 077 254	3 387 373
Bursaries	2 894 757	3 494 458
Rent offices	916 390	483 643
Other expenses	6 599 852	8 583 352
Licence fees	5 215 503	5 007 835
Finance management grant	1 373 817	1 494 204
Sewerage & water: Silulumanzi	15 876 540	12 682 920
Ward committee	5 416 461	4 538 497
Local Economic Development Programmes	5 331 465	1 936 215
Cleaning	1 757 202	549 256
Awareness and campaigns	1 787 515	799 760
	202 820 759	165 981 714
40. Gain / (loss) on disposal of assets		
Property, plant and equipment	64 431	1 730 589
41. Auditors' remuneration		
Fees	4 314 552	4 174 395

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Figures in Rand	2016	2015
42. Cash generated from operations		
Surplus	51 643 568	39 805 137
Adjustments for:		
Depreciation and amortisation	249 387 353	225 834 533
Gain on sale of assets and liabilities	(64 431)	(1 730 589)
Donations received	(26 363 456)	(514 968)
Fair value adjustments	7 922 746	860 538
Debt impairment	82 192 373	88 514 937
Movements in long service award	4 319 176	(113 183)
Movements in retirement benefit assets and liabilities	27 128 627	17 840 693
Movements in provisions	(758 846)	1 771 909
Changes in working capital:		
Inventories	(958 015)	(3 928 289)
Trade and other receivables	(69 715 537)	(154 836 824)
Other receivables	(16 174 792)	16 862 833
Trade and other payables from exchange transactions	132 147 663	139 944 851
VAT	(14 190 767)	2 382 086
Unspent conditional grants and receipts	5 250 134	88 616 459
Consumer deposits	1 475 784	1 897 957
	433 241 580	463 208 080

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Figures in Rand	2016	2015
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43. Commitments

Commitments in respect of capital expenditure

Already contracted for

• Infrastructure	491 494 334	387 274 557
• Community	33 367 997	24 503 345
• Other	60 639 662	13 020 487
	585 501 993	424 798 389

The expenditure will be funded as follows:

• Accumulated surplus	109 017 456	29 556 389
• External loans	11 833 312	32 426 586
• Government grants	464 651 225	362 815 414
	585 501 993	424 798 389

Total capital commitments

Approved and contracted for	585 501 993	424 798 389
Financing / funds	(585 501 993)	(424 798 389)
	-	-

Operating leases - as lessee (expense)

Minimum lease payments due

No later than one year	1 066 260	1 364 572
Later than one year and not later than five years	2 833 250	3 899 510
Later than five years	-	-
	3 899 510	5 264 082

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its properties and motor vehicles. Leases are negotiated for an average term of five years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

Not later than one year	3 215 187	1 178 287
Later than one and not later than five years	8 423 494	11 537 798
Later than five years	76 530	2 479 658
	11 715 211	15 195 743

Operating Leases consists of the following:

Operating leases revenue consists of rental receivable to the municipality for certain properties leased.

Certain of the municipality's property, plant and equipment is leased to the water concessionaire. The rental amount after five years has not disclosed due to the five year periodical review.

Certain investment property and land is leased to various lessees through signed lease agreement. The lease period varies from one to five years depending on each circumstances contained in the lease agreement. No contingent rent recognised as revenue in the reporting period.

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44. Contingencies		
<u>Contingent liabilities</u>		
<u>Damage claims</u>		
RK Phembe / Minister / Mbombela Local Municipality (MLM) - A claim against council was instituted through High court summons received for unlawful arrest and defamation. The municipality is contesting the claim based on external legal advice through the appointment of KT Mokoena attorneys and legal representatives. A court date was set for October 2013 and plaintiff passed away.	2 050 000	2 050 000
Finishing touch 544 (PTY) LTD vs Mbombela Local Municipality. A damages claim against council through high Court Combined Summons served with case 66425/12 for the UB 40 concert to the amount of R 1 557 166.00. Council is contesting the case through appointed legal representatives, Kruger & Partners. Council requested security of costs of which the plaintiff did not comply with the request.	1 557 166	1 557 166
Teku Trading cc vs Mbombela Local Municipality. A claim against council has been instituted through combined summons. High Court Case number 74689/2014 for the amount of R 2 699 000.00. The case was defended - Our attorneys on record - Swanepoel & Partners - summary Judgment application resisted and filed counter claim.	2 699 000	2 699 000
Lwati Trading cc vs Mbombela Local Municipality. a claim against council has been instituted through combined summons - High Court - case 74690/2014 - R 2 398 560.00. The case is defended through external legal representatives - Swanepoel & Partners. The trial date has been set for 5 May 2017.	2 398 560	2 398 560
S Mhaule vs Mbombela Local Municipality. A claim against council has been instituted through combined summons - Magistrate's Court with a case number 996/2013 to the amount of R 19 000.00 for "verbal agreement". The case is defended through appointed legal representatives - Nkosi Attorneys & associates.	19 000	19 000
Ensemble Trading 546 LTD / Mbombela Local Municipality (MLM) - A procurement dispute claim through High Court summons emanating from a forged cession of payment agreement which was not honoured by council. Council is contesting the claim based on external legal advice. Council was granted leave to appeal to defend and an undertaking not to proceed with the summary judgment was made by the applicant's legal representatives. The case is dormant.	2 540 043	2 540 043
SCIFIN (PTY) LTD / Mbombela Local Municipality (MLM) - A procurement claim against council due to termination of a service contract between council and Gestetner, which was ceded to SCIFIN. Council is contesting the claim based on external legal advice through appointed legal representatives - Mzuzu Attorneys. A court date was set for 6 August 2013 and the case was therefore postponed sine die. Negotiations are underway by both parties.	535 358	535 358
Basil Read / Mbombela Local Municipality - A claim against council has been instituted through summons for operational expenses, goods supplied & services rendered to the amount of R 1 142 863.64. The claim is defended through Sinky Nkosi/ Meintjies & Khoza Attorney as a legal representatives. of the total amount claimed, an amount of R 374 357.60 plus VAT and 15.5% interest was settled out of court as council was not in dispute. leave to defend the balance amounting to R 768 506.04 was granted.	768 506	768 506
Department of Water Affairs / Mbombela local Municipality - Unilaterally amended agreement for the provision of free raw water for a period of 6 years within the Nsikazi / Kanyamazane area.	11 510 110	11 510 110

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44. Contingencies (continued)		
An application was made to National Treasury for condonation of the unauthorised expenditure on conditional grants incurred during 20009/2010 and 2010/2011 financial years. The municipality is awaiting the pending outcome of the request after all supporting evidence was submitted in collaborating of the unauthorised expenditure which was outside the respective conditional grants framework. Municipal (Infrastructure Grant: R 163 400 959 and Public Transport Infrastructure Grant: R 41 177 177)	204 578 136	204 578 136
Total contingent liabilities	228 655 879	228 655 879
Contingent assets		
Contract claims		
Mbombela Local Municipality / Du Toit smuts & Mathews Phosa Attorneys - Council is claiming for breach of contract for guarantees not sustained. The claim is pursued through external legal representatives appointed - KT Mokoena.	1 135 463	1 135 463
Mbombela Local Municipality / desert wind Properties - Council is claiming for recovery of service contributions and breach of service agreement. The claim is pursued through external legal representatives appointed - K T Mokoena.	7 000 000	7 000 000
Mbombela Local Municipality / Lowveld society - Council is claiming the land that was designated for the Lowveld Show from the Lowveld Society. The claim is pursued through external legal representatives appointed - BDK Attorneys. The value of the land has not been determined.	Value of the land not determined	
Total contingent asset	8 135 463	8 135 463
Total contingencies	236 791 342	236 791 342

45. Related parties

Remuneration of management is disclosed Note 30 to these annual financial statements.

Remuneration of councillors and other in-kind benefits is disclosed in Note 31 and appendix C to these interim financial statements.

Mbombela Economic Development Agency (MEDA) was established by the Municipality as a service utility in terms of Section 86H of the Municipal Systems Act No 32 of 2000 through the passing of the by-law. The municipality has significant influence over the agency. The agency is a dormant section 21 company.

Umsebe Accord is a Non Profit company established to pursue public benefit objectives entrusted with the four municipalities namely, Matola Municipality, The City of Mbabane, Nkomazi Local Municipality and Mbombela Local Municipality. The objectives and functions of the company (entity) amongst others include promotion of local economic development initiatives and meeting the strategic objectives of the four cities as registered in the Memorandum of Incorporation. The Board of Directors constitutes representatives from all the four cities (municipalities) nominated to represent each municipality accordingly. The filling of the position for Chief Executive Officer is underway.

Related Party Transactions

There were no related party transactions during the reporting period. No balances were outstanding as at the end of the reporting period thus there was no provision for doubtful debts raised relating to the outstanding balances.

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46. Correction of an Error

The reported net surplus for the previous year has been adjusted by the following identified accounting errors:	- 51 778 433
	- -
During the current reporting period the municipality discovered transactions which related to the previous financial year - relating to the following:	
Increase in payables - Trade payables not accrued for the 2014/2015 financial year	- (10 791 188)
Decrease in salaries payables - Correction of employees allowances back pay for 2014/2015 financial year	- 47 724
Increase in payables - interest and penalties for late payment of SARS	- (593 523)
Increase in payables - incorrect treatment of VAT to department for agency fees	- (3 817 363)
Decrease in unspent conditional grants - approval of projects funded from Municipal Infrastructure Grant	- 2 922 434
Decrease in provision for employee benefit obligations - correction of gains / losses on actuarial valuations	- 258 620
Restated surplus for the year	- 39 805 137

Listed below are the affects of the prior year accounting errors for each transaction on all financial statements line items.

1.1 The municipality received invoices that related to the 2014/2015 financial year. These invoices were paid and the corresponding restatements were corrected in the prior year.

1.2 The Municipality incorrectly recalculated back pay for allowances due to employees, this was due for the 2014/2015 financial year.

1.3 The Municipality incurred interest and penalties for late payment to SARS related to the 2014/2015 financial year.

1.4 The municipality incorrectly accounted for the money collected on behalf of the Department of Community Safety, Security and Liaison in terms of the agency agreement.

Adjustments affecting the statement of financial position

Increase in trade and other payables from exchange transaction	- (15 154 349)
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Adjustments affecting the statement of financial position

Increase in contracted services (1.1)	- (10 587 554)
Decrease in employee related costs (1.2)	- 47 724
Increase in general expenses (1.1)	- (188 800)
Increase in repairs and maintenance (1.1)	- (14 834)
Increase in finance charges (1.3)	- (593 523)
Decrease in agency fees (1.4)	- (3 817 362)

Net effect on the statement of financial performance	- (15 154 349)
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2.1 The Municipality applied for projects to be recognised as part of Municipal Infrastructure Grant funding, the application was approved.

Adjustments affecting the statement of financial performance

Decrease in unspent conditional grants	- 2 922 433
--	-------------

Adjustments affecting the statement of financial position

Increase in revenue recognised from conditional grants (2.1)	- 2 922 433
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46. Correction of an Error (continued)

3.1 Changes in the actuarial valuations of the long service leave and the post retirement medical aid benefits resulted in a decrease in the provision thereof .

Adjustments affecting the statement of financial position

Decrease in provision for employee benefits	-	258 620
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Adjustments affecting the statement of financial performance

Increase in actuarial gain for employee benefits (3.1)	-	258 620
--	---	---------

4.1 The Municipality incorrectly wrote off debtors, therefore had to re-instate the debt owed

Adjustments affecting the statement of financial position

Increase in trade and other receivables - gross debtors (4.1)	-	16 225 067
---	---	------------

Decrease in trade and other receivables - written off provision for bad debts (4.1)	-	(16 225 067)
---	---	--------------

Net effect of adjustments on the prior year	-	-
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The opening balance of the accumulated surplus balance is affected as follows:

Assets	-	499 996
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Liabilities	-	(187 184 706)
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Total effect on statement of financial position	-	(186 684 710)
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Total effect on the statement of financial performance	-	11 973 296
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Total effect on the statement of financial position	-	186 684 710
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Total effect on accumulated surplus	-	198 658 006
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47. Comparative figures

Certain comparative figures have been reclassified to ensure fair presentation.

Long service award were reclassified from post employment benefit to its own line item in the face of statement of financial position.

The effects of the reclassification are as follows:

Statement of financial position

Increase in current portion of long service award	- 4 700 369
Decrease in current portion of post employment benefit	- (4 700 369)
Increase in long service award - non-current	- 49 406 802
Decrease in post employment benefit - non-current	- (49 406 802)

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48. Risk management

Financial risk management

The Municipality has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the annual financial statements.

Council has established a risk management committee, which is responsible for reviewing the effectiveness of the institutional risk management systems, policy, procedures and practices.

Credit risk

Is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations.

- Trade and other receivables from exchange transactions
- Non-current receivables from exchange transactions
- Investments
- Non-current investments
- Other non-current financial assets
- Cash and cash equivalents

Trade and other receivables from exchange transactions

The Municipality's trade and other receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as water, sanitation and rates levied. The Municipality's exposure is continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of consumer and other receivables. No consumer or other receivables have been pledged as security. Certain consumer and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the consumer and other receivables have been re-negotiated with counterparties

Investments

It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

Cash and cash equivalents

The Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Maximum exposure to credit risk at reporting date for each class of financial assets was:

Cash and cash equivalent	51 601 439	94 843 988
Investments	16 144 521	15 186 034
Trade and other receivables	299 645 120	230 733 253
Other receivables from non-exchange transactions	14 249 574	21 716 274
Non-current receivables	479 366	55 700 693
Current portion of receivables	28 992	26 106
	382 149 012	418 206 348

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48. Risk management (continued)

Impairment disclosure for current financial assets carried at amortised costs

All of the Municipality's financial assets have been reviewed for indicators of impairment. Certain receivables and investments were found to be impaired and a provision of **R 61 863 053** (2015 : **R 58 551 102**) has been recorded accordingly. The impaired consumer receivables are mostly due from consumers defaulting on service costs levied by the Municipality. Refer to Note 5 for the impairment reconciliation of consumer and other receivables.

Some of the unimpaired consumer receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

Not more than 180 days	125 881 036	135 633 994
more than 180 days but not more than 3 years	43 940 610	26 400 995
More than 3 years	7 058 695	6 992 868
	176 880 341	169 027 857

The ageing of impaired consumer receivables at reporting date was as follows:

Not more than 180 days	45 077 239	29 394 819
more than 180 days but not more than 3 years	71 344 503	30 247 385
More than 3 years	6 343 037	2 063 192
	122 764 779	61 705 396

Gross balances

Trade and other receivables from exchange transactions	172 287 888	159 465 963
Trade and other receivables from non-exchange transactions	127 357 232	71 267 290
	299 645 120	230 733 253

Allowance for debt impairment

Trade and other receivables from exchange transactions	53 213 969	34 604 356
Trade and other receivables from non-exchange transactions	69 550 810	27 101 040
	122 764 779	61 705 396

Net balance

Trade and other receivables from exchange transactions	119 073 920	124 861 607
Trade and other receivables from non-exchange transactions	57 806 421	44 166 250
	176 880 341	169 027 857

Reconciliation of allowance for impairment of consumer receivables

Opening balance	61 705 396	216 728 820
Contribution to allowance	61 863 053	58 551 102
Impaired receivables written off against provision	(803 670)	(213 574 526)
	122 764 779	61 705 396

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48. Risk management (continued)

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

Interest rate risk

The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings and are therefore not linked to the interest bank repurchase rate. The municipality has only four interest bearing borrowings as indicated in Appendix A.

At year end, financial instruments exposed to interest rate risk were as follows:

- Investments
- Borrowings

Fair value sensitivity analysis on fixed rate instruments

The Municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date will not affect surplus for the year.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Up to 1 Year

Borrowings	49 308 505	21 812 087
Other financial liabilities	61 466 817	53 111 742
Trade and other payables	770 263 265	638 115 596
	881 038 587	713 039 425

1 - 5 years

Borrowings	101 906 492	95 183 000
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> 5 years

Borrowings	179 910 974	160 442 773
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Concentration of credit risk

The concentration of the credit risk associated with:

Borrowings	30 %	17 %
Other financial liabilities	6 %	3 %
Trade and other payables from exchange transactions	72 %	38 %

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49. Events after the reporting date

Non-adjusting events after the reporting date:

49.1 Disestablishment of existing municipalities and establishment of the new municipality

Mbombela Local Municipality and Umjindi Local Municipality were disestablished and a new category B municipality named City of Mbombela was established as determined by the Demarcation board in accordance with the Mpumalanga Provincial Gazette No 2687.

49.2 New council for City of Mbombela

A new council was elected and sworn in for the City of Mbombela at its first council sitting held 11 August 2016 in accordance with section 157 of the constitution of the Republic of South Africa.

50. Unauthorised expenditure

Opening balance	31 686 858	31 686 858
Unauthorised expenditure current year	53 102 964	103 180 413
Condoned and written off by Council	(39 030 232)	(103 180 413)
	45 759 590	31 686 858

Proceedings		
Overspending on the approved operating expenditure budget	Condoned and written off as per council resolution item, A(4) of 30 August 2016	39 030 232
Spending of conditional grants for purposes other than intended for		14 072 732
Total unauthorised expenditure for the current year		53 102 964

51. Fruitless and wasteful expenditure

Opening balance	27 854 418	27 826 028
Fruitless and wasteful expenditure current year	10 454 385	11 428 911
Condoned and written off by Council	-	(11 400 521)
Transfer to receivables for recovery	(28 390)	-
	38 280 413	27 854 418

Proceedings		
Interest charged by suppliers for late payment made after thirty days on receipt of invoices	Condoned and written off as per council resolution item, A(4) of 30 August 2016	10 454 385

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52. Irregular expenditure

Opening balance	177 688 960	86 353 599
Add: Irregular Expenditure - current year	27 504 369	51 276 519
Written off by Council	(12 124 238)	(15 705 158)
Incurred in the prior year identified in the current year	-	55 764 000
Transfer to receivables for recovery	-	-
Amount recovered	-	-
	193 069 091	177 688 960

Details of irregular expenditure write off

Appointment of service providers without following the normal supply chain management process to the letter	Proceedings Awaiting write off	1 248 808
Expenditure resulting from appointments made by the Provincial Department of Co-operative Governance and Traditional Affairs not in compliance with Section 51 (1) (a) (iii) of the Public Finance Management Act. for the 2015 2016 financial year	Awaiting write off	26 255 561
		27 504 369

Council has written off an irregular expenditure incurred during 2014/2015 financial year at its meeting held 19 July 2016 under item N(2).	Proceedings Written off	12 124 238
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53. Additional disclosure in terms of Municipal Finance Management Act

53.1 Contributions to the South African Local Government Association (SALGA)

Opening balance	81 787	-
Council subscription	5 527 620	5 142 377
Amount paid - current year	(5 527 620)	(5 060 590)
Amount paid - previous year	(81 787)	-
	-	81 787

53.2 Audit fees

Opening balance	339 479	-
Current year audit fees	4 314 552	4 174 395
Amount paid - current year	(4 314 552)	(3 834 916)
Amount paid - previous years	(339 479)	-
	-	339 479

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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

53.3 PAYE, UIF and SDL

Opening balance	6 028 937	5 439 100
Current year payroll deductions	83 449 506	71 498 217
Amount paid - current year	(76 825 629)	(65 469 280)
Amount paid - previous years	(6 028 937)	(5 439 100)
	6 623 877	6 028 937

The unpaid balance is the amount for June 2016 which was payable in July 2016.

53.4 Pension and Medical Aid Deductions

Opening balance	10 834 288	9 355 078
Current year payroll deductions and council contributions	140 723 094	121 968 312
Amount paid - current year	(128 839 181)	(111 134 024)
Amount paid - previous years	(10 834 288)	(9 355 078)
	11 883 913	10 834 288

The unpaid balance is the amount for June 2016 which was payable in July 2016.

53.5 VAT

VAT receivable	62 569 703	48 378 936
Opening balance	48 378 936	2 631 868
Total amount claimed from SARS during the year	78 215 580	80 037 333
Total amount received during the year	(108 985 166)	(64 874 894)
Adjustments	(508 222)	(7 606 313)
VAT (payable)/ receivable	45 468 575	38 190 942
VAT (payable) / receivable (as per VAT 201)	62 569 703	48 378 936
VAT (payable) / receivable (as per VAT 201)	17 101 128	10 187 994
Net VAT on accruals	45 468 575	38 190 942
VAT (payable) / receivable	62 569 703	48 378 936

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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

53.6 Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr HC Chawane	5 550	73 230	78 780
Cllr MS Magagula	473	25 151	25 624
Cllr MS Magagula	576	6 170	6 746
Cllr NS Nyalunga	2 480	4 054	6 534
Cllr BA Zulu	705	1 394	2 099
Cllr TMJ Grove Morgan	624	4 552	5 176
Cllr NW Motubatse	850	732	1 582
Cllr SR Mabuza	494	1 230	1 724
Cllr SH Mbuyane	349	1 027	1 376
Cllr JA Mkhonto	554	192	746
Cllr MM Zulu	225	293	518
Total councillors arrear consumer accounts	12 880	118 025	130 905

The following councillors have entered into payment arrangements with the municipality as at 30 June 2016:

1. Cllr NS Nyalunga
2. Cllr BA Zulu
3. Cllr NW Motubats

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr SN Nyalunga	2 008	1 552	3 560
Cllr MS Magagula	933	27 033	27 966
Cllr Sidell	1 155	-	1 155
Cllr NW Motubane	1 268	7 551	8 819
Total councillors arrear consumer accounts	5 364	36 136	41 500

53.7 Distribution losses in terms of MFMA 125(2)(d)(i)

Material losses incurred during the year under review were as follows:

Electricity		
Electricity purchased (KW)	661 836 274	642 512 838
Electricity sold (KW)	566 750 556	567 494 043
Electricity losses in KW	83 783 252	75 018 795
% loss	12.70	11.70
Electricity losses in KW	83 783 252	75 018 795
Unit cost per KW	0.81	0.72
Electricity losses in Rand value	67 864 434	54 013 532
Water		
Water pumped and distributed (KI)	3 100 012	3 508 694

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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Water sold (KI)	2 281 831	2 455 174
Water distribution losses in KI	818 181	1 053 520
% loss	26.40	30.00

Water distribution losses in KI	818 181	1 053 520
Average Cost per KI	3.38	3.95
Water losses in Rand value	2 765 452	4 161 404

54. Deviation from supply chain management regulations

In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviations from Supply Chain Management Policy	17 944 528	37 502 549
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Refer to Appendix E for details of the Supply Chain Management deviation.

55. Public-Private Partnership - Concession Arrangement

The Municipality signed a 30 year concession agreement in April 1999 with SembCorp Silulumanzi (Proprietary) Limited previously known as the Greater Nelspruit Utility Company (GNUC) for provision of water and sanitation services as well as servicing the growing expectations of the communities on behalf of the municipality. The concession agreement became effective from 1 November 1999 and is subjected to review every five years through the supplementary agreements. The concession areas boundaries are the municipal boundaries of the previous Nelspruit Transitional Council and any extension of services outside the developed areas are dealt with on a case by case basis.

Supplementary agreement number four (4) was concluded during 2014/2015 financial year and it became effective 1 November 2014 until 31 October 2019 in accordance with five year period review process.

The Concessionaire is obligated to ensure that the communities within the concession area have access to a 24 - hour water supply to all formal households and to use best efforts to improve the number of households in informal areas with 24 - hour water supply. It is also a requirement that the Concessionaire must provide portable water and effluent quality in compliance with the National Water Quality Standards.

The concessionaire leases and operates water services delivery assets within the concession area at a rental of R 189 666.25 per month for the remainder of the term of the Concession agreement. The assets are controlled by the Municipality and are recorded in the assets register of the Municipality as Property, Plant and Equipment. The Concessionaire recognises the right to use those assets as intangible assets in accordance with IFRIC 12. The operating lease commitments for the leased assets has been disclosed in Note 43 to these annual financial statements.

The concession agreements provides for the concessionaire to maintain, refurbish, rehabilitate and improve the assets within its operations and collection of water and sanitation revenue within the Concession area. The water and sanitation tariffs for the Concessionaire are approved by Council for implementation in terms of section 24 of the Municipal Finance Management Act No.56 of 2003. The concessionaire acts as a project manager for construction of new infrastructure within the concession area which is funded by the Municipality. The Concessionaire is obligated to ensure that the assets are adequately maintained each year.

The concession agreement may be terminated by either party with effect from any date after the natural end of the concession contract in the year 2029 or the date of termination of the concession agreement, whichever is earlier, provided that at least 24 months prior written notice has been given by the party intending to cancel the concession agreement to the other party.

All assets operated by the Concessionaire will be transferred back to the Municipality in a good condition on termination of the concession agreement.

Mbombela Local Municipality

(Registration number MP322)

Unaudited Annual Financial Statements for the year ended 30 June 2016

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

56. Explanation of significant variances greater than 10%

Statement of Financial Performance

Revenue:

56.1 Fines

The variance is as a result of increased traffic receivables through the implementation of the revenue protection and enhancement measures.

56.2 Rental of facilities and equipment

The variance is mainly due to the under performance of the Stadium facility. The municipality has embarked on a feasibility study for the stadium management model which will be implemented during 2016/2017 financial year.

56.3 Agency fees

The variance is as a result of the basis differences. The total amount (gross inflows) collected on behalf of the (principal) Department of Community Safety, Security and Liaison is budgeted for in full however for financial reporting purposes, the gross inflows of economic benefits or service potential does not result in an increase in assets or decrease in liabilities hence the agency commission (fee) can only be recognised as revenue in accordance with the prescripts of Generally Recognised Accounting Practice (GRAP) 9 on agent and principal relationship.

56.4 Other income

The variance is mainly as a result of water infrastructure assets that were donated to the Municipality by the Department of Co-operative Governance and Traditional Affairs (CoGTA) for which revenue was recognised.

56.5 Government grants and subsidies - Capital

The variance on the capital transfers recognised is mainly due to the under performance on the grant funded projects for the current year's allocation.

Expenditure:

56.6 Depreciation and amortisation

The variance is as a result of accelerated service delivery which has resulted in completed projects during the year for which depreciation was provided as the assets were available for use as intended by management.

56.7 Finance costs

The variance is due to the interest charged by creditors for payments made after 30 days on receipt of the invoice which has been disclosed in note 51 as Fruitless and Wasteful Expenditure.

56.8 Grants and subsidies paid

The variance is as a result of the basis differences. The free basic electricity cost relating to the Eskom supply area within the jurisdiction of the Municipality and provision of recompacting services on dirt roads has been budgeted for as subsidy whilst for financial reporting purposes, it has been classified as general expenses and repairs and maintenance respectively. Expenses are classified based on their nature or function for financial reporting purposes in order to provide more relevant and reliable information.

56.9 General expenses

The variance is as a result of the basis differences. Expenses are classified based on their nature or function for financial reporting purposes in order to provide more relevant and reliable information.

Mbombela Local Municipality

(Registration number MP322)

Unaudited Annual Financial Statements for the year ended 30 June 2016

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

56. Explanation of significant variances greater than 10% (continued)

Statement of Financial Position

56.10 Current assets

The variance is due to the decreased cash and cash equivalents as a result of accelerated service delivery projects.

56.11 Current liabilities

The variance is as a result of the increased trade and other payables from exchange transactions balances. Trade payables were budgeted at R 362 million and the actual trade and other payables balance amounted to R 797 million. The municipality continues to aggressively implement the financial interventions and revenue collection strategies in order to improve financial and liquidity management objectives.

56.12 Non-current liabilities

The significant variance on the non-current liabilities is mainly attributable to the actuarial valuation on defined benefit liability for post employment medical benefits and long service awards as required by the standard on employee benefits- Generally Recognised Accounting Practice (GRAP) 25. The total provisions were budgeted for amounted of R 337 million as compared to the actual amount of R 197 million, resulting in a variance of R 140 million.

The actuarial valuation has been conducted by independent actuaries using actuarial assumptions about demographic variables such as employee turnover, mortality and also financial variables discounted using the projected unit credit method to determine the present value of the defined benefit obligation.

57. Change in estimate

Provision for the rehabilitation of landfill sites

The provision for the rehabilitation of landfill sites was revised at year end and a change in the estimated cash flows required to settle the obligation was subsequently realised.

There was no effect on the current year's depreciation and interest cost resulting from the change in the accounting estimate as the review was conducted at financial year end. The change was added to the cost of the related asset in the current reporting period. The overall effect of the future periods is a cumulative decrease in depreciation cost of R 2,4 million over the remaining useful life of the related asset. The effect of the change for the next reporting period will amount to R 85 thousand increase in depreciation and R 55 thousands decrease in finance costs.

The information used for the basis of the revision of the accounting estimate was the latest and most reliable information at the time the estimate was made.

Landfill sites

The municipality has reassessed the useful life of landfill sites, initially estimated to be as follows:

<u>Landfill Site</u>	<u>Remaining useful life 2015</u>	<u>Revised Estimate</u>
Tekwane landfill site	31 years	85 years
Hazyview landfill site	1 year	5 years

In the current period management have revised their estimate as reflected above. The effect of this revision has increased the depreciation for the future periods by R 2,4 million.

The information used for the basis of the revision of the accounting estimate was the latest and most reliable information at the time the estimate was made.

Appendix A

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
3	1976/2001	3 000	-	-	3 000	-	-
		3 000	-	-	3 000	-	-
	2014/2019	17 595 253	-	966 100	16 629 153	-	-
	1998/2016	5 354 898	-	3 434 804	1 920 094	-	-
	2014/2029	85 255 279	52 017 635	(4 695 203)	141 968 117	-	-
	2010/2030	156 905 621	-	(3 335 218)	160 240 839	-	-
	2005/2020	12 323 809	-	1 959 041	10 364 768	-	-
		277 434 860	52 017 635	(1 670 476)	331 122 971	-	-
	3 000	-	-	3 000	-	-	
	277 434 860	52 017 635	(1 670 476)	331 122 971	-	-	
	277 437 860	52 017 635	(1 670 476)	331 125 971	-	-	

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	409 707 470	-	-	-	-	-	409 707 470	-	-	-	-	-	-	409 707 470
Buildings	210 782 372	-	(123 330)	(5 938 771)	46 719 936	-	251 440 207	(62 888 988)	-	346 428	(4 190 555)	-	(66 733 115)	184 707 092
Landfill site	59 640 394	-	-	-	166 000	(2 375 945)	57 430 449	(9 111 810)	-	-	(3 200 862)	-	(12 312 672)	45 117 777
	680 130 236	-	(123 330)	(5 938 771)	46 885 936	(2 375 945)	718 578 126	(72 000 798)	-	346 428	(7 391 417)	-	(79 045 787)	639 532 339
Infrastructure														
Roads, Pavements & Bridges	2 145 469 414	32 679 015	-	-	198 555 105	-	2 376 703 534	(683 955 844)	-	-	(54 159 738)	-	(738 115 582)	1 638 587 952
Water reservoirs and reticulation	1 528 197 232	95 975 094	-	-	165 709 315	-	1 789 881 641	(399 911 889)	-	-	(39 889 640)	-	(439 801 529)	1 350 080 112
Electricity	586 601 166	7 809 774	-	-	7 717 319	-	602 128 259	(163 596 587)	-	-	(18 325 190)	-	(181 921 777)	420 206 482
sewerage purification & reticulation	784 096 863	-	-	-	8 105 495	-	792 202 358	(190 135 227)	-	-	(36 269 712)	-	(226 404 939)	565 797 419
	5 044 364 675	136 463 883	-	-	380 087 234	-	5 560 915 792	(1 437 599 547)	-	-	(148 644 280)	-	(1 586 243 827)	3 974 671 965
Community Assets														
Parks & gardens	33 316 257	-	-	-	-	-	33 316 257	(892 627)	-	-	(573 923)	-	(1 466 550)	31 849 707
Sportsfields and stadium	1 291 353 794	-	-	-	408 206	-	1 291 762 000	(360 317 203)	-	-	(48 412 022)	-	(408 729 225)	883 032 775
Community halls	40 741 478	-	-	-	17 964 143	-	58 705 621	(7 700 955)	-	-	(1 819 664)	-	(9 520 619)	49 185 002
Libraries	5 924 047	-	-	5 938 771	-	-	11 862 818	(1 415 476)	-	(346 428)	(448 473)	-	(2 210 377)	9 652 441
Clinics	517 625	-	-	-	-	-	517 625	(396 706)	-	-	(22 504)	-	(419 210)	98 415
Cemeteries	13 388 920	-	-	-	-	-	13 388 920	(2 723 776)	-	-	(779 050)	-	(3 502 826)	9 886 094
	1 385 242 121	-	-	5 938 771	18 372 349	-	1 409 553 241	(373 446 743)	-	(346 428)	(52 055 636)	-	(425 848 807)	983 704 434

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Specialised vehicles														
Refuse	24 082 386	-	-	-	-	-	24 082 386	(10 050 975)	-	-	(4 237 555)	-	(14 288 530)	9 793 856
Conservancy	5 506 697	-	-	-	-	-	5 506 697	(1 839 569)	-	-	(501 864)	-	(2 341 433)	3 165 264
Fire	21 790 665	-	-	-	-	-	21 790 665	(13 486 227)	-	-	(1 543 433)	-	(15 029 660)	6 761 005
	51 379 748	-	-	-	-	-	51 379 748	(25 376 771)	-	-	(6 282 852)	-	(31 659 623)	19 720 125
Other assets														
Motor vehicles	107 284 387	22 022 737	(745 816)	-	-	-	128 561 308	(58 418 217)	-	-	(16 052 815)	-	(74 471 032)	54 090 276
Other equipment	44 312 569	941 252	-	-	-	-	45 253 821	(24 151 050)	-	-	(5 607 962)	-	(29 759 012)	15 494 809
Security measures and other 9(including IT and fencing)	60 868 549	17 244 792	-	-	-	-	78 113 341	(38 267 450)	569 931	-	(10 495 236)	-	(48 192 755)	29 920 586
Office Equipment - Leased	444 086	-	-	-	-	-	444 086	(444 086)	-	-	-	-	(444 086)	-
	212 909 591	40 208 781	(745 816)	-	-	-	252 372 556	(121 280 803)	569 931	-	(32 156 013)	-	(152 866 885)	99 505 671

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	680 130 236	-	(123 330)	(5 938 771)	46 885 936	(2 375 945)	718 578 126	(72 000 798)	-	346 428	(7 391 417)	-	(79 045 787)	639 532 339
Infrastructure	5 044 364 675	136 463 883	-	-	380 087 234	-	5 560 915 792	(1 437 599 547)	-	-	(148 644 280)	-	(1 586 243 827)	3 974 671 965
Community Assets	1 385 242 121	-	-	5 938 771	18 372 349	-	1 409 553 241	(373 446 743)	-	(346 428)	(52 055 636)	-	(425 848 807)	983 704 434
Specialised vehicles	51 379 748	-	-	-	-	-	51 379 748	(25 376 771)	-	-	(6 282 852)	-	(31 659 623)	19 720 125
Other assets	212 909 591	40 208 781	(745 816)	-	-	-	252 372 556	(121 280 803)	569 931	-	(32 156 013)	-	(152 866 885)	99 505 671
	7 374 026 371	176 672 664	(869 146)	-	445 345 519	(2 375 945)	7 992 799 463	(2 029 704 662)	569 931	-	(246 530 198)	-	(2 275 664 929)	5 717 134 534
Heritage assets														
Heritage assets	1 951 020	56 589	-	-	-	-	2 007 609	(235 147)	-	-	-	-	(235 147)	1 772 462
	1 951 020	56 589	-	-	-	-	2 007 609	(235 147)	-	-	-	-	(235 147)	1 772 462
Intangible assets														
Computers - software & programming	7 464 791	644 195	-	-	-	-	8 108 986	(5 711 662)	-	-	(1 661 688)	-	(7 373 350)	735 636
Servitude	4 590 568	-	-	-	-	-	4 590 568	-	-	-	-	-	-	4 590 568
	12 055 359	644 195	-	-	-	-	12 699 554	(5 711 662)	-	-	(1 661 688)	-	(7 373 350)	5 326 204
Investment properties														
Investment property	356 363 862	-	-	-	-	-	356 363 862	(17 018 120)	-	-	(1 195 465)	-	(18 213 585)	338 150 277
	356 363 862	-	-	-	-	-	356 363 862	(17 018 120)	-	-	(1 195 465)	-	(18 213 585)	338 150 277
Total														
Land and buildings	680 130 236	-	(123 330)	(5 938 771)	46 885 936	(2 375 945)	718 578 126	(72 000 798)	-	346 428	(7 391 417)	-	(79 045 787)	639 532 339
Infrastructure	5 044 364 675	136 463 883	-	-	380 087 234	-	5 560 915 792	(1 437 599 547)	-	-	(148 644 280)	-	(1 586 243 827)	3 974 671 965
Community Assets	1 385 242 121	-	-	5 938 771	18 372 349	-	1 409 553 241	(373 446 743)	-	(346 428)	(52 055 636)	-	(425 848 807)	983 704 434
Specialised vehicles	51 379 748	-	-	-	-	-	51 379 748	(25 376 771)	-	-	(6 282 852)	-	(31 659 623)	19 720 125
Other assets	212 909 591	40 208 781	(745 816)	-	-	-	252 372 556	(121 280 803)	569 931	-	(32 156 013)	-	(152 866 885)	99 505 671
Heritage assets	1 951 020	56 589	-	-	-	-	2 007 609	(235 147)	-	-	-	-	(235 147)	1 772 462
Intangible assets	12 055 359	644 195	-	-	-	-	12 699 554	(5 711 662)	-	-	(1 661 688)	-	(7 373 350)	5 326 204
Investment properties	356 363 862	-	-	-	-	-	356 363 862	(17 018 120)	-	-	(1 195 465)	-	(18 213 585)	338 150 277
	7 744 396 612	177 373 448	(869 146)	-	445 345 519	(2 375 945)	8 363 870 488	(2 052 669 591)	569 931	-	(249 387 351)	-	(2 301 487 011)	6 062 383 477

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	409 853 690	-	(146 220)	-	-	-	409 707 470	-	-	-	-	-	-	409 707 470
Buildings	137 048 198	3 542 207	-	-	70 191 967	-	210 782 372	(57 778 126)	-	-	(5 110 862)	-	(62 888 988)	147 893 384
Landfill site	59 037 659	-	-	-	-	602 735	59 640 394	(7 493 500)	-	-	(1 618 310)	-	(9 111 810)	50 528 584
	605 939 547	3 542 207	(146 220)	-	70 191 967	602 735	680 130 236	(65 271 626)	-	-	(6 729 172)	-	(72 000 798)	608 129 438
Infrastructure														
Roads, Pavements & Bridges	1 861 845 007	114 816 307	-	-	168 808 100	-	2 145 469 414	(637 299 454)	-	-	(46 656 390)	-	(683 955 844)	1 461 513 570
Water reservoirs & reticulation	1 381 741 856	10 670 921	-	-	135 784 455	-	1 528 197 232	(365 148 477)	-	-	(34 763 412)	-	(399 911 889)	1 128 285 343
Electricity	579 333 393	7 267 773	-	-	-	-	586 601 166	(144 402 345)	-	-	(19 194 243)	-	(163 596 588)	423 004 578
Sewerage purification	755 571 431	15 807 786	-	-	12 717 646	-	784 096 863	(164 731 563)	-	-	(25 403 664)	-	(190 135 227)	593 961 636
	4 578 491 687	148 562 787	-	-	317 310 201	-	5 044 364 675	(1 311 581 839)	-	-	(126 017 709)	-	(1 437 599 548)	3 606 765 127
Community Assets														
Parks & gardens	33 316 257	-	-	-	-	-	33 316 257	(765 562)	-	-	(127 064)	-	(892 626)	32 423 631
Sportsfields and stadium	1 290 995 649	-	-	-	358 145	-	1 291 353 794	(295 345 561)	-	-	(64 971 643)	-	(360 317 204)	931 036 590
Community halls	40 654 284	-	-	-	87 194	-	40 741 478	(6 790 030)	-	-	(910 925)	-	(7 700 955)	33 040 523
Libraries	5 924 047	-	-	-	-	-	5 924 047	(1 311 295)	-	-	(104 181)	-	(1 415 476)	4 508 571
Clinics	517 625	-	-	-	-	-	517 625	(337 481)	-	-	(59 225)	-	(396 706)	120 919
Cemeteries	13 388 920	-	-	-	-	-	13 388 920	(2 531 787)	-	-	(191 989)	-	(2 723 776)	10 665 144
	1 384 796 782	-	-	-	445 339	-	1 385 242 121	(307 081 716)	-	-	(66 365 027)	-	(373 446 743)	1 011 795 378

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Specialised vehicles														
Refuse	13 521 203	10 561 183	-	-	-	-	24 082 386	(8 679 623)	-	-	(1 371 353)	-	(10 050 976)	14 031 410
Fire	3 040 376	2 466 321	-	-	-	-	5 506 697	(1 349 415)	-	-	(490 154)	-	(1 839 569)	3 667 128
Conservancy	21 790 665	-	-	-	-	-	21 790 665	(10 035 466)	-	-	(3 450 760)	-	(13 486 226)	8 304 439
	38 352 244	13 027 504	-	-	-	-	51 379 748	(20 064 504)	-	-	(5 312 267)	-	(25 376 771)	26 002 977
Other assets														
Other motor vehicles	98 421 312	14 289 889	(5 426 814)	-	-	-	107 284 387	(53 302 266)	3 984 642	-	(9 100 593)	-	(58 418 217)	48 866 170
Office Equipment	41 384 460	4 248 168	(1 320 059)	-	-	-	44 312 569	(21 887 971)	1 225 535	-	(3 488 614)	-	(24 151 050)	20 161 519
Security measures and other (including IT and fencing)	53 051 401	7 817 148	-	-	-	-	60 868 549	(32 774 871)	-	-	(5 492 580)	-	(38 267 451)	22 601 098
Office Equipment - Leased	444 086	-	-	-	-	-	444 086	(444 086)	-	-	-	-	(444 086)	-
	193 301 259	26 355 205	(6 746 873)	-	-	-	212 909 591	(108 409 194)	5 210 177	-	(18 081 787)	-	(121 280 804)	91 628 787

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	605 939 547	3 542 207	(146 220)	-	70 191 967	602 735	680 130 236	(65 271 626)	-	-	(6 729 172)	-	(72 000 798)	608 129 438
Infrastructure	4 578 491 687	148 562 787	-	-	317 310 201	-	5 044 364 675	(1 311 581 839)	-	-	(126 017 709)	-	(1 437 599 548)	3 606 765 127
Community Assets	1 384 796 782	-	-	-	445 339	-	1 385 242 121	(307 081 716)	-	-	(66 365 027)	-	(373 446 743)	1 011 795 378
Specialised vehicles	38 352 244	13 027 504	-	-	-	-	51 379 748	(20 064 504)	-	-	(5 312 267)	-	(25 376 771)	26 002 977
Other assets	193 301 259	26 355 205	(6 746 873)	-	-	-	212 909 591	(108 409 194)	5 210 177	-	(18 081 787)	-	(121 280 804)	91 628 787
	6 800 881 519	191 487 703	(6 893 093)	-	387 947 507	602 735	7 374 026 371	(1 812 408 879)	5 210 177	-	(222 505 962)	-	(2 029 704 664)	5 344 321 707
Heritage Assets														
Heritage Assets	1 716 552	234 468	-	-	-	-	1 951 020	(235 147)	-	-	-	-	(235 147)	1 715 873
	1 716 552	234 468	-	-	-	-	1 951 020	(235 147)	-	-	-	-	(235 147)	1 715 873
Intangible assets														
Computers - software & programming	5 770 932	1 693 859	-	-	-	-	7 464 791	(5 288 567)	-	-	(423 095)	-	(5 711 662)	1 753 129
Servitudes	4 590 568	-	-	-	-	-	4 590 568	-	-	-	-	-	-	4 590 568
	10 361 500	1 693 859	-	-	-	-	12 055 359	(5 288 567)	-	-	(423 095)	-	(5 711 662)	6 343 697
Investment properties														
Investment property	356 363 862	-	-	-	-	-	356 363 862	(14 112 642)	-	-	(2 905 478)	-	(17 018 120)	339 345 742
	356 363 862	-	-	-	-	-	356 363 862	(14 112 642)	-	-	(2 905 478)	-	(17 018 120)	339 345 742
Total														
Land and buildings	605 939 547	3 542 207	(146 220)	-	70 191 967	602 735	680 130 236	(65 271 626)	-	-	(6 729 172)	-	(72 000 798)	608 129 438
Infrastructure	4 578 491 687	148 562 787	-	-	317 310 201	-	5 044 364 675	(1 311 581 839)	-	-	(126 017 709)	-	(1 437 599 548)	3 606 765 127
Community Assets	1 384 796 782	-	-	-	445 339	-	1 385 242 121	(307 081 716)	-	-	(66 365 027)	-	(373 446 743)	1 011 795 378
Specialised vehicles	38 352 244	13 027 504	-	-	-	-	51 379 748	(20 064 504)	-	-	(5 312 267)	-	(25 376 771)	26 002 977
Other assets	193 301 259	26 355 205	(6 746 873)	-	-	-	212 909 591	(108 409 194)	5 210 177	-	(18 081 787)	-	(121 280 804)	91 628 787
Heritage Assets	1 716 552	234 468	-	-	-	-	1 951 020	(235 147)	-	-	-	-	(235 147)	1 715 873
Intangible assets	10 361 500	1 693 859	-	-	-	-	12 055 359	(5 288 567)	-	-	(423 095)	-	(5 711 662)	6 343 697
Investment properties	356 363 862	-	-	-	-	-	356 363 862	(14 112 642)	-	-	(2 905 478)	-	(17 018 120)	339 345 742
	7 169 323 433	193 416 030	(6 893 093)	-	387 947 507	602 735	7 744 396 612	(1 832 045 235)	5 210 177	-	(225 834 535)	-	(2 052 669 593)	5 691 727 019

BOMBELA LOCAL MUNICIPALITY

**SUPPLEMENTARY SCHEDULE TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
APPENDIX C**

ADDITIONAL DISCLOSURE OF COUNCILLOR REMUNERATION

	Allowance	Motor Vehicle Allowance	Medical	Pension	Cell Phone	Data Allowance	Total	Gazette	Cell Phone	Data Allowance	Gazetted Package	Variance	Reason for Variance
FULL-TIME COUNCILLORS													
EXECUTIVE MAYOR													
Mathonsi SP	566 682	230 478	39 749	85 002	20 868	3 600	946 380	921 912	20 868	3 600	946 380	-	
SPEAKER													
Sidell J	445 041	184 382	41 386	66 720	20 868	3 600	761 997	737 529	20 868	3 600	761 997	0	
CHIEF WHIP													
Mbuyane SH	411 618	172 858	45 214	61 743	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
MAYORAL COMMITTEE													
Boroko ZM	419 792	172 858	35 814	62 969	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-	
Mavinsu M	450 935	172 858	-	67 640	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
Macagula MS	450 935	172 858	-	67 640	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
Mdhluli BN	429 887	172 858	24 205	64 483	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-	
Maseko C	429 887	172 858	24 205	64 483	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
Mazibane JM	450 935	172 858	-	67 640	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
Nkala FP	427 055	172 858	27 461	64 058	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
Zulu BA	450 935	172 858	-	67 640	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
Nyirenda MM	450 935	172 858	-	67 640	20 868	3 600	715 901	691 433	20 868	3 600	715 901	-0	
Total Cost Full-time Councillors	3 961 294	1 555 725	111 686	594 194	187 812	32 400	6 443 110	6 222 897	187 812	32 400	6 443 109	-1	
PART-TIME COUNCILLORS													
CHAIRPERSONS SECTION 79 COMMITTEES													
Mlimo VL	232 577	89 154	-	34 887	20 868	3 600	381 086	356 618	20 868	3 600	381 086	-	
Mutobvu EM	232 577	89 154	-	34 887	20 868	3 600	381 086	356 618	20 868	3 600	381 086	-	
Mkhonto KM	232 577	89 154	-	34 887	20 868	3 600	381 086	356 618	20 868	3 600	381 086	-	
Mokoenia SI	232 577	89 154	-	34 887	20 868	3 600	381 086	356 618	20 868	3 600	381 086	-	
Mqwanya RF	232 577	89 154	-	34 887	20 868	3 600	381 086	356 618	20 868	3 600	381 086	-	
Charles TM	232 577	89 154	-	34 887	20 868	3 600	381 086	356 618	20 868	3 600	381 086	-	
Mlimo MM	232 577	89 154	-	34 887	20 868	3 600	381 086	356 618	20 868	3 600	381 086	-	
Malomane HK	36 569	14 018	-	5 485	3 478	600	60 150	56 072	3 478	600	60 150	-	Cllr HK Malomane was a chairperson of a section 79/80 committee for the first 2 months of the financial year the reason why she received more than the ordinary councillors for the year
Total Cost Chairpersons of Section 79 Committees	1 664 608	638 099	-	249 691	149 554	25 800	2 727 752	2 552 398	149 554	25 800	2 727 752	-	
OTHER PART-TIME MEMBERS													
Malomane HK	153 218	58 733	-	22 983	17 390	3 000	255 324	234 934	20 868	3 600	259 402	4 078	Cllr HK Malomane was a chairperson of a section 79/80 committee for the first 2 months of the financial year the reason why she received more than the ordinary councillors for the year
Zulu NM	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Bulunga TM	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mkhatshewa TP	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Kumba A	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mabuza SR	168 417	69 471	14 733	26 263	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Nqwenyama DD	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Khoza J	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Maziva KE	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mashexo PV	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mashete MS	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Zulu FJ	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Thobela-Nqwenyama OM	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mduli MS	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mabuza TG	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mnyambu CN	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Nyalunga PP	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
De Kock CJ	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Twala HL	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mkhabela ET	157 349	69 471	27 461	23 602	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Nyalunga NS	160 180	69 471	24 205	20 027	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Nobela ST	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Malumane MZ	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Dhlamini NFN	163 012	69 471	20 949	24 452	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
APPENDIX C

ADDITIONAL DISCLOSURE OF COUNCILLOR REMUNERATION

	Allowance	Motor Vehicle Allowance	Medical	Pension	Cell Phone	Data Allowance	Total	Gazette	Cell Phone	Data Allowance	Gazetted Package	Variance	Reason for Variance
OTHER PART-TIME MEMBERS (Cont.)													
Nkosi DT	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mhlanga MC	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mashaba JB	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Lubbe AJ	128 370	69 471	60 787	19 255	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Maseko L	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mhawule ME	241 637	-	-	36 246	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Masina KR	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mkhonto JA	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Koster J	155 630	69 471	29 437	23 345	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Robertson KP	69 471	23 157	-	-	6 956	1 200	100 784	92 628	6 956	1 200	100 784	-	Resigned October 2015
Nyundu BA	168 417	69 471	14 733	25 263	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Lange F	150 406	69 471	35 446	22 561	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Manana TM	154 517	69 471	30 718	23 178	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Diudlu TL	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Matume NB	160 980	69 471	23 285	24 147	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mablane TK	162 991	69 471	20 973	24 449	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mbuyane A	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Schormann SR	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mafotha MC	142 787	69 471	44 207	21 418	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Msibi MJ	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Motubatsi NW	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Simelane TC	168 417	69 471	14 733	25 263	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Matsemela MK	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Segage WS	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Tsela TD	241 637	-	-	36 246	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mokoena MB	148 009	69 471	38 202	22 201	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Maseko FD	241 637	-	-	36 246	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Grove Morgan TMJ	150 406	69 471	35 446	22 561	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Moreko LN	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Sebashe EM	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Mawuso SD	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Tlou MI	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Masuku SR	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Janse van Rensburg EG	181 228	69 471	-	27 184	20 868	3 600	302 351	277 883	20 868	3 600	302 351	-0	
Van der Merwe S	161 510	60 393	-	19 670	18 225	3 144	262 942	262 942	20 868	3 600	262 942	0	Appointed in mid August 2015
Chawane HC	121 446	45 527	-	15 134	13 676	2 359	198 141	277 883	20 868	3 600	198 141	0	Appointed in December 2015
Cost Part-Time Councillors	10 457 110	3 869 760	435 314	1 550 506	1 624 854	211 303	17 748 848	16 429 834	1 238 168	213 600	17 752 924	4 076	
Total Cost of Councillors	17 506 352	6 651 303	673 350	2 607 856	1 624 824	280 303	29 343 987	27 556 003	1 638 138	282 600	29 348 063	4 076	

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

2015 Restated ACTUAL INCOME R	2015 Restated ACTUAL EXPENDITURE R	2015 Restated SURPLUS / (DEFICIT) R		2016 ACTUAL INCOME R	2016 ACTUAL EXPENDITURE R	2016 SURPLUS / (DEFICIT) R
514 968	45 830 920	(45 315 952)	Executive & Council	(287 218)	49 462 731	(49 749 948)
1 235 209 754	521 767 067	713 442 687	Finance & Admin	1 410 544 473	656 473 020	754 071 453
12 422 288	42 710 296	(30 288 008)	Planning & Development	46 393 134	47 643 743	(1 250 609)
-	362 334	(362 334)	Health	-	-	-
383 160	51 722 385	(51 339 225)	Community & Social Services	483 746	55 285 675	(54 801 929)
23 605 248	96 256 272	(72 651 024)	Public Safety	24 007 993	96 049 622	(72 041 629)
14 175 703	175 690 357	(161 514 654)	Sport & Recreation	10 523 530	149 540 771	(139 017 242)
276	3 760 552	(3 760 275)	Environmental Protection	1 382	9 599 452	(9 598 071)
77 343 599	143 036 359	(65 692 761)	Waste Management	84 698 289	156 724 848	(72 026 559)
34 289 316	239 427 099	(205 137 783)	Road Transport	34 605 343	216 495 284	(181 889 941)
17 451 665	61 691 450	(44 239 786)	Waste Water (Sewerage)	17 913 046	36 069 420	(18 156 374)
61 699 386	146 614 121	(84 914 735)	Water	65 830 192	214 126 174	(148 295 982)
680 751 051	597 341 705	83 409 346	Electricity	744 693 280	689 298 450	55 394 830
2 157 846 414	2 126 210 917	31 635 497	Sub-Total	2 439 407 190	2 376 769 191	62 637 999
7 299 589	-	7 299 589	Actuarial Gain/(Loss)	-	3 136 116	(3 136 116)
-	860 538	(860 538)	Fair value adjustments	-	7 922 746	(7 922 746)
1 730 589	-	1 730 589	Gain/(Loss) on sale of assets	64 431	-	64 431
2 166 876 592	2 126 210 917	39 805 137	Total	2 439 471 621	2 387 828 053	51 643 568

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

APPENDIX E				
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT				
Name of Company	Emergency	Single Provider	Exceptional	TOTAL
	R	R	R	R
600 Sa Holdings	13 656	-	-	13 656
Abs International	-	12 999	-	12 999
Acbus Solutions	205 130	-	59 560	264 690
African Directory Services	-	-	41 034	41 034
Agrico (Edms)Bpk	7 044	-	-	7 044
AJ Broom Road Products	-	59 673	49 996	109 669
Akhalways Fast Food	-	-	900	900
Amber Elektries	-	8 267	-	8 267
AMC Installation	-	11 275	-	11 275
Andre Staal En Sweiswerke Bk	-	8 208	14 318	22 526
Babata Pumps	78 722	207	-	78 929
Bargain Books	-	-	29 500	29 500
Bell Equipment Sales South Africa Limited	139 500	19 194	169 341	328 034
BGM Trading 75 Cc T/A Supa Quick Nelspruit	-	8 045	2 511	10 556
Bidvest Office Pty Ltd T/A Bidvest Waltons/ A Div	-	-	25 350	25 350
Big O Trading 1223	-	-	59 700	59 700
Brondal Group T/A Mommsen Investments CC	33 402	-	-	33 402
Bulk Mail	-	632 238	-	632 238
Buscor Pty Ltd	-	-	112 150	112 150
Business Connexion Pty Ltd	-	-	958	958
BV Mbungela	-	-	92 408	92 408
Canon Lowveld	-	-	3 941	3 941
Canon Masakhane	-	-	3 819	3 819
Colas South Africa Pty Ltd	-	117 159	49 248	166 407
Contact Communications	-	-	5 433	5 433
Conway General Supplies	28 986	14 015	26 438	69 439
Coth Trade 041 CC T/A SNF Suppliers	64 125	-	-	64 125
Crawley S Locksmiths	-	283 800	54 400	338 200
Cruse Tree Service Pty Ltd	9 422	-	999	10 421
Crystal Sparkle Trading 98	99 700	8 002	-	107 702
CSR Success Holdings	-	-	14 818	14 818
D H L International Pty Ltd	656	2 175	5 388	8 219
Dan And Sons Hydraulic CC	18 947	-	-	18 947
David H Botha Du Plessis & Kruger	-	-	50 160	50 160
Dawson And Dobson CC	132 393	-	183 346	315 739
Department Of Community Safety Gauteng	-	127 577	37 536	165 113
DNP Chemical Distributors	-	-	7 040	7 040
Don Gresswell Library Products CC	-	23 246	-	23 246
Donato Mining Supplies And Water Solutions CC	-	-	30 840	30 840
Durcharme Traing Institution	-	9 405	-	9 405
Eastern Transvaal Rubber Stamps T/A JC Malherbe	-	26 826	3 667	30 492
EE Korkie	-	10 000	20 000	30 000
Ehlanzeni Tyres CC	-	1 700	1 662	3 362
Electra Tatn	1 254	10 717	11 138	23 109
Electro System	241 938	-	-	241 938
Endecon Ubuntu	-	-	1 006 619	1 006 619
Esri South Africa Pty Ltd	-	99 180	-	99 180
Exposolutions	-	5 381	-	5 381
Gauteng North Life Saving	-	25 900	-	25 900
Government Printer (Mpumalanga Prov Gazette)	-	572	131 858	132 430
Hannes Scholtz nenterprises Pty Ltd	-	11 000	28 000	39 000
Hasler Business Systems Pty Ltd	-	7 052	-	7 052
Hupulani	4 000	-	-	4 000
IDI Technology Solutions	-	24 054	-	24 054
Imperial Nelspruit	17 554	-	24 623	42 177
Impisa	-	2 950	-	2 950
Institution Of Mpumalanga Finace Officer	-	2 284	-	2 284
Institution Of Municipal Personnel Practitioners Of South Africa	-	2 950	-	2 950
Institution Of Risk Managemt South Africa	-	9 313	-	9 313
Institution Of The Municipal Finance Officer	-	350	-	350
Iphilile General Trading	-	-	89 422	89 422
J Brynard T/A Amber Elektries	3 090	25 311	128 499	156 900
J P Barnard Drukkery Ond. CC T/A Minuteman Press	3 235	734	78 574	82 544
Jetline Sonpark Nelspruit	-	-	20 388	20 388
John Maytham Investments	125 105	36 730	205 957	367 792
JP Barnard Drukkery Ond	-	-	5 551	5 551
K T Mokoena Attorneys	-	256 690	-	256 690
Kanyisi Zulu Trading Pty Ltd	-	21 645	-	21 645
Kenfan Trading	4 613	-	-	4 613
Kesai Trading Enterprise CC	-	-	21 000	21 000
Komatsu SA Pty Ltd	-	119 386	76 872	196 258
Konica Minolta South Africa	-	-	31 990	31 990
Kruger And Partners Inc	-	60 000	-	60 000
KT Mokoena Attorneys	-	-	163 515	163 515

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

APPENDIX E				
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT				
Name of Company	Emergency	Single Provider	Exceptional	TOTAL
	R	R	R	R
L K H Hydraulic Services CC	141 788	33 887	188 641	364 316
Lady Shine Cleaning Services	-	-	10 830	10 830
Lafarge Cement Lafarge Ready Mixed	-	28 991	146 796	175 786
Landis & Gyr Pty Ltd	-	464 552	225 150	689 702
Lexis Nexus	-	24 993	40 335	65 328
Lgit Smart Solutions	-	12 312	-	12 312
Lithotech Sales Pretoria Pty Ltd	-	18 329	-	18 329
Lowveld & Escarpment Fire Protection Association	-	149 539	-	149 539
Lowveld Brake CC	1 845	-	-	1 845
Lowveld Garage Equipment C C	-	-	9 641	9 641
Lowveld Media	-	884	-	884
Lowvelde/Mpumalanga News	33 194	500 591	463 112	996 896
Lwandilelwazi Trading	-	-	29 755	29 755
Ma If Trading General Trading CC	-	-	59 665	59 665
Macbaga Trading CC	29 650	-	29 838	59 488
Madonsela Mthunzi Inc Attorneyspty Ltd	-	8 592	327 779	336 371
Mandlakazi Electrical Technologies	864 730	-	-	864 730
Maphuzane General Trading	-	-	9 990	9 990
Marce Fire Fighting Technology	-	71 046	15 776	86 823
Marco Chem Markerting	-	-	3 648	3 648
Media24	-	52 092	180 462	232 554
Mediamark	-	-	26 879	26 879
Merlin Gerin Sa Pty Ltd T/A Conlog	-	40 930	-	40 930
Mfan'Fikile Trading CC	3 480	-	-	3 480
Mnjalosini Trading	98 945	-	-	98 945
Mozma'S Trading	24 309	-	-	24 309
Mpumalanga Copiers Pty Ltd (Mita Lowveld)	-	-	1 140	1 140
Msikinya Attorneys & Associates	-	31 992	-	31 992
Mutsetseleri Trading CC	-	81 588	-	81 588
Mzwanosa Trading	8 500	-	-	8 500
Ncetshe Construction	4 335	-	-	4 335
Nel Trophies CC	-	30 973	45 155	76 128
Nelson Madela Metropolitan Univesity	-	65 000	-	65 000
Nelspruit Auto Electrical T/A Altec Auto Electric T/A Altec Auto	44 479	-	945	45 424
Nelspruit Auto Motors Pty Ltd	64 263	-	38 354	102 617
Nelspruit Brake & Clutch	-	-	3 432	3 432
Nexus Forensic Services	-	335 530	-	335 530
Ngesihle Projects	147 020	-	-	147 020
Nhlazana Trading	14 706	-	7 985	22 691
Nkasha Transport Services CC	157 499	-	-	157 499
Nkelebo Egumeni Cultural Pty Ltd	-	-	29 500	29 500
Nmi Durban South Motors T/A Union Motors Lowveld	-	-	4 117	4 117
Numbi Motors Pty Ltd	1 731	9 779	-	11 510
O T I S	-	-	22 908	22 908
Occupational Care South Africa	-	684	-	684
Onderberg Boerderye Cc Ta Resistance Pipes	-	-	48 766	48 766
Opto East Coast Pty Ltd	71 162	-	20 167	91 329
Outsource Group Sa Pty Ltd Ta Outsource Digital	-	-	3 124	3 124
P C Smit Pompe	385 609	14 322	453 558	853 490
Papawyk Pty Ltd	52 097	19 699	52 002	123 799
Payday Software Systems CC	-	116 103	-	116 103
Picabiz 214 CC Ta Battery Warehouse	-	-	3 869	3 869
Pimulekwa Office Automation T/A Nashua Lowveld	-	-	11 523	11 523
PM Tuning	53 649	-	5 998	59 647
Powertech System Intergrators Pty Ltd	19 152	22 658	351 202	393 012
Praktikal -Con	-	18 000	-	18 000
Produkta Motors (Truck Division)	75 163	-	40 113	115 276
Produkta Nissan Light Vehicles Division	3 922	-	1 415	5 337
Protea Truck Den	17 011	-	-	17 011
Protea Tyres Nelspruit CC	1 170	-	-	1 170
Purchasing Face Value Documents	-	37 525	-	37 525
Quick Fit Electrical CC	16 171	-	34 197	50 368
Quick Focus Trading	-	-	59 870	59 870
Railway Safey Regulation	-	91 300	-	91 300
Rand Data System Forms	-	-	62 121	62 121
Rhynyx Technologies CC	9 800	283	-	10 083
Richard Bonaface Sign Language Interpreter Pty Ltd	-	-	10 000	10 000
Richman Poorman	6 400	-	-	6 400
Ricoh Ta G & D Distributors Nelspruit Pty Ltd	-	665	23 197	23 862
Rudamans Nelspruit Pty Ltd	133 135	105 358	259 730	498 222
Rural Development & Land Reformed	-	4 180	-	4 180
Sa Copuncil For The Property Valuers Profession	-	11 400	-	11 400
Sa Innovation Summit	-	5 130	-	5 130
Sabc Airtime Sales	-	-	45 429	45 429

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

APPENDIX E				
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT				
Name of Company	Emergency	Single Provider	Exceptional	TOTAL
	R	R	R	R
Saesi	-	11 180	-	11 180
Saficon Industrial Equipment T/A Toyota Forklift	7 258	-	26 341	33 599
Sagic	-	3 600	-	3 600
Saimas	-	22 640	-	22 640
Salga	-	86 787	-	86 787
Sarpa	-	26 400	-	26 400
Sembcorp Silulumanzi (Group Acc)	29 395	8 002	-	37 397
Servimix 136	-	-	29 800	29 800
Sikhukhula Trading Enterprise CC	-	-	27 046	27 046
Simpleks Business Solution	-	15 811	-	15 811
Siraghela Phambili Trading 002 CC	17 026	-	-	17 026
Sitamanzi Contractors CC	615 049	106 160	42 840	764 049
South African Council For The Property Values Profession	-	1 236	-	1 236
South African Green Industries Council	-	7 200	-	7 200
South African Institution Of Civil Engineers	-	3 300	-	3 300
Southern African Expo Solutions	-	5 381	-	5 381
Southern African Institute Of Learning	-	20 520	-	20 520
Soyh Africa Institute Of Valuers	-	2 550	-	2 550
Spark & Ellis Pty Ltd	-	17 328	-	17 328
Spectacular Training And Conference	-	9 998	-	9 998
Stako Engineering	-	-	730	730
Standard Security Service	-	106 800	-	106 800
Storm Conquers Trading Enterprise	-	-	29 800	29 800
Supa Quick Autocentre Nelspruit	-	-	2 889	2 889
Supreme Gearbox And Diff Centre	38 240	-	174 605	212 845
Swanepoel Patners Vennote	-	67 239	7 568	74 807
Syntell Pty Ltd	-	65 071	63 960	129 031
T.M Chauke Inc Attorneys And Conveyancers	-	63 178	-	63 178
Talking Turf CC	-	-	25 536	25 536
Tankman Septic Services CC	59 930	-	-	59 930
The Institution Of Internal Auditors Sa	-	3 323	-	3 323
The Plum Store Photographix	-	-	11 450	11 450
Times Media Pty Ltd	-	105 738	57 839	163 576
Tricor Signs Sa Pty Ltd	-	99 211	57 390	156 602
Truvelo Manu Pty Ltd	-	32 507	61 782	94 289
Tsimane Power Maintenance CC	-	-	25 650	25 650
Turner Morris Manufacturing Pty Ltd	4 288	39 645	-	43 933
Twinzz Audio	10 252	-	-	10 252
Union Motors Lowveld	-	-	22 807	22 807
Union Motors Nelspruit	323 437	-	-	323 437
University Of Pretoria	-	-	41 800	41 800
V & N Solutions	3 420	-	-	3 420
Van Staden Land Surveyors	-	-	17 100	17 100
Van Wettens Breakdown Services CC	18 932	2 783	1 539	23 254
Van Wijkstraat En Dierekliniek	8 995	1 091	-	10 085
Vangard Projects CC	31 874	28 494	-	60 369
Wakeuphandyman Construction And General Supply CC	120 441	21 488	69 117	211 046
Water Institute Of Southern Africa	-	3 450	-	3 450
Westvaal Delta Nelspruit/White River	29 165	-	-	29 165
Westvaal Holdings Pty Ltd	-	1 778	-	1 778
Westvall Delta/Whiteriver	-	-	3 145	3 145
Windeed	-	6 555	-	6 555
Workshop Electronics CC	-	-	5 620	5 620
Xerox Lowveld Office Automation Pty Ltd	-	-	2 950	2 950
Total	5 035 089	5 511 557	7 397 882	17 944 528

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2015/2016								2014/2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	974 387 886	(18 911)	974 368 975	-		974 368 975	976 784 861		2 415 886	100 %	100 %				1 235 311 252
Executive and council	37 463	-	37 463	-		37 463	36 420		(1 043)	97 %	97 %				3 918 641
Budget and treasury office	963 496 225	1 733 115	965 229 340	-		965 229 340	967 856 279		2 626 939	100 %	100 %				808 171 702
Corporate services	10 854 198	(1 752 026)	9 102 172	-		9 102 172	8 892 162		(210 010)	98 %	82 %				423 220 909
Community and public safety	32 870 414	5 136 877	38 007 291	-		38 007 291	30 547 333		(7 459 958)	80 %	93 %				44 412 721
Community and social services	995 756	-	995 756	-		995 756	1 070 738		74 982	108 %	108 %				846 759
Sport and recreation	16 040 450	(3 566 197)	12 474 253	-		12 474 253	9 936 291		(2 537 962)	80 %	62 %				13 711 889
Public safety	15 834 208	8 703 074	24 537 282	-		24 537 282	19 540 304		(4 996 978)	80 %	123 %				23 605 248
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				6 248 825
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	553 193 382	177 517 377	730 710 759	-		730 710 759	518 940 190		(211 770 569)	71 %	94 %				44 280 418
Planning and development	7 193 609	-	7 193 609	-		7 193 609	4 720 657		(2 472 952)	66 %	66 %				6 173 463
Road transport	545 999 773	177 517 377	723 517 150	-		723 517 150	514 218 151		(209 298 999)	71 %	94 %				38 106 679
Environmental protection	-	-	-	-		-	1 382		1 382	DIV/0 %	DIV/0 %				276
Trading services	1 003 592 124	-	1 003 592 124	-		1 003 592 124	913 134 806		(90 457 318)	91 %	91 %				833 842 027
Electricity	769 731 722	-	769 731 722	-		769 731 722	744 693 280		(25 038 442)	97 %	97 %				678 146 082
Water	125 429 009	-	125 429 009	-		125 429 009	65 830 191		(59 598 818)	52 %	52 %				58 295 712
Waste water management	16 548 763	-	16 548 763	-		16 548 763	17 913 046		1 364 283	108 %	108 %				20 056 634
Waste management	91 882 630	-	91 882 630	-		91 882 630	84 698 289		(7 184 341)	92 %	92 %				77 343 599
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	2 564 043 806	182 635 343	2 746 679 149	-		2 746 679 149	2 439 407 190		(307 271 959)	89 %	95 %				2 157 846 418

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification)

for the year ended 30 June 2016

	2015/2016								2014/2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	548 264 703	3 241 267	551 505 970	-	-	551 505 970	601 697 325	186 020 028	50 191 355	109 %	110 %	-	-	-	538 450 952
Executive and council	191 998 313	30 606 768	222 605 081	-	6 791	222 611 872	233 222 126	89 869 966	10 610 254	105 %	121 %	-	-	-	104 317 955
Budget and treasury office	132 241 874	73 283	132 315 157	-	5 652 140	137 967 297	149 333 137	20 699 380	11 365 840	108 %	113 %	-	-	-	137 644 117
Corporate services	224 024 516	(27 438 784)	196 585 732	-	6 025 878	202 611 610	219 142 062	75 450 682	16 530 452	108 %	98 %	-	-	-	296 488 880
Community and public safety	312 031 868	23 112 002	335 143 870	-	3 901 771	339 045 641	317 556 948	162 181 131	(21 488 693)	94 %	102 %	-	-	-	351 226 062
Community and social services	33 176 191	-	33 176 191	-	2 311 371	35 487 562	37 990 292	15 140 046	2 502 730	107 %	115 %	-	-	-	37 569 428
Sport and recreation	168 317 775	4 099 258	172 417 033	-	1 160 836	173 577 869	164 367 433	92 979 288	(9 210 436)	95 %	98 %	-	-	-	189 521 626
Public safety	97 366 431	19 012 744	116 379 175	-	429 564	116 808 739	107 647 264	44 870 966	(9 161 475)	92 %	111 %	-	-	-	115 513 236
Housing	13 171 471	-	13 171 471	-	-	13 171 471	7 551 959	9 190 831	(5 619 512)	57 %	57 %	-	-	-	8 259 441
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	362 331
Economic and environmental services	345 798 973	22 215 236	368 014 209	-	10 061 804	378 076 013	336 634 042	240 941 660	(41 441 971)	89 %	97 %	-	-	-	282 406 841
Planning and development	59 349 692	(12 823 410)	46 526 282	-	927 480	47 453 762	38 023 056	40 532 354	(9 430 706)	80 %	64 %	-	-	-	39 927 221
Road transport	283 540 641	35 038 646	318 579 287	-	9 134 324	327 713 611	289 002 586	202 241 221	(38 711 025)	88 %	102 %	-	-	-	239 391 854
Environmental protection	2 908 640	-	2 908 640	-	-	2 908 640	9 608 400	(1 831 915)	6 699 760	330 %	330 %	-	-	-	3 087 766
Trading services	970 560 334	54 745 812	1 025 306 146	-	27 231 612	1 052 537 758	1 116 797 067	414 551 758	64 259 309	106 %	115 %	-	-	-	952 366 374
Electricity	575 534 403	19 956 329	595 490 732	-	15 639 995	611 130 727	678 359 450	222 578 263	67 228 723	111 %	118 %	-	-	-	578 635 528
Water	215 072 921	22 151 336	237 224 257	-	5 341 379	242 565 636	249 568 016	123 222 874	7 002 380	103 %	116 %	-	-	-	152 471 751
Waste water management	28 630 730	(1 500 000)	27 130 730	-	-	27 130 730	32 144 752	(2 372 053)	5 014 022	118 %	112 %	-	-	-	79 191 258
Waste management	151 322 280	14 138 147	165 460 427	-	6 250 238	171 710 665	156 724 849	71 122 674	(14 985 816)	91 %	104 %	-	-	-	142 067 837
Other	4 888 771	-	4 888 771	-	-	4 888 771	4 083 809	-	(804 962)	84 %	84 %	39 030 229	39 030 229	-	-
Other	4 888 771	-	4 888 771	-	-	4 888 771	4 083 809	-	(804 962)	84 %	84 %	39 030 229	39 030 229	-	1 760 691
Total Expenditure - Standard	2 181 544 649	103 314 317	2 284 858 966	-	52 879 996	2 337 738 962	2 376 769 191	1 003 694 577	39 030 229	102 %	109 %	39 030 229	39 030 229	-	2 126 210 920
Surplus/(Deficit) for the year	382 499 157	79 321 026	461 820 183	-		408 940 187	62 637 999		(346 302 188)	15 %	16 %				31 635 498